

ITEM 1. FINANCIAL STATEMENTS

PROGRESS ENERGY, INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS of INCOME

(in millions except per share data)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Operating revenues	\$ 2,372	\$ 2,312	\$ 4,907	\$ 4,754
Operating expenses				
Fuel used in electric generation	743	826	1,639	1,780
Purchased power	315	257	578	474
Operation and maintenance	505	484	985	937
Depreciation, amortization and accretion	233	226	479	506
Taxes other than on income	133	130	287	273
Other	3	10	5	12
Total operating expenses	1,932	1,933	3,973	3,982
Operating income	440	379	934	772
Other income				
Interest income	1	2	3	6
Allowance for equity funds used during construction	25	36	46	75
Other, net	5	13	-	12
Total other income, net	31	51	49	93
Interest charges				
Interest charges	199	181	390	360
Allowance for borrowed funds used during construction	(7)	(12)	(16)	(24)
Total interest charges, net	192	169	374	336
Income from continuing operations before income tax	279	261	609	529
Income tax expense	98	86	237	171
Income from continuing operations before cumulative effect of change in accounting principle	181	175	372	358
Discontinued operations, net of tax	(1)	(1)	-	(1)
Cumulative effect of change in accounting principle, net of tax	-	-	(2)	-
Net income	180	174	370	357
Net income attributable to noncontrolling interests, net of tax	-	-	-	(1)
Net income attributable to controlling interests	\$ 180	\$ 174	\$ 370	\$ 356
Average common shares outstanding – basic	290	280	287	278
Basic and diluted earnings per common share				
Income from continuing operations attributable to controlling interests, net of tax	\$ 0.62	\$ 0.62	\$ 1.29	\$ 1.28
Discontinued operations attributable to controlling interests, net of tax	-	-	-	-
Net income attributable to controlling interests	\$ 0.62	\$ 0.62	\$ 1.29	\$ 1.28
Dividends declared per common share	\$ 0.620	\$ 0.620	\$ 1.240	\$ 1.240
Amounts attributable to controlling interests				
Income from continuing operations, net of tax	\$ 181	\$ 175	\$ 370	\$ 357
Discontinued operations, net of tax	(1)	(1)	-	(1)
Net income attributable to controlling interests	\$ 180	\$ 174	\$ 370	\$ 356

See Notes to Progress Energy, Inc. Unaudited Condensed Consolidated Interim Financial Statements.

PROGRESS ENERGY, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)	June 30, 2010	December 31, 2009
ASSETS		
Utility plant		
Utility plant in service	\$ 29,728	\$ 28,918
Accumulated depreciation	(11,777)	(11,576)
Utility plant in service, net	17,951	17,342
Held for future use	48	47
Construction work in progress	1,914	1,790
Nuclear fuel, net of amortization	599	554
Total utility plant, net	20,512	19,733
Current assets		
Cash and cash equivalents	690	725
Receivables, net	999	800
Inventory	1,237	1,325
Regulatory assets	324	142
Derivative collateral posted	194	146
Income taxes receivable	21	145
Prepayments and other current assets	195	248
Total current assets	3,660	3,531
Deferred debits and other assets		
Regulatory assets	2,211	2,179
Nuclear decommissioning trust funds	1,341	1,367
Miscellaneous other property and investments	437	438
Goodwill	3,655	3,655
Other assets and deferred debits	321	333
Total deferred debits and other assets	7,965	7,972
Total assets	\$ 32,137	\$ 31,236
CAPITALIZATION AND LIABILITIES		
Common stock equity		
Common stock without par value, 500 million shares authorized, 293 million and 281 million shares issued and outstanding, respectively	\$ 7,304	\$ 6,873
Unearned ESOP shares (- and 1 million shares, respectively)	-	(12)
Accumulated other comprehensive loss	(131)	(87)
Retained earnings	2,684	2,675
Total common stock equity	9,857	9,449
Noncontrolling interests		
	2	6
Total equity	9,859	9,455
Preferred stock of subsidiaries	93	93
Long-term debt, affiliate	272	272
Long-term debt, net	11,664	11,779
Total capitalization	21,888	21,599
Current liabilities		
Current portion of long-term debt	705	406
Short-term debt	-	140
Accounts payable	954	835
Interest accrued	209	206
Dividends declared	182	175
Customer deposits	316	300
Derivative liabilities	250	190
Accrued compensation and other benefits	100	167
Other current liabilities	387	239
Total current liabilities	3,103	2,658
Deferred credits and other liabilities		
Noncurrent income tax liabilities	1,288	1,196
Accumulated deferred investment tax credits	113	117
Regulatory liabilities	2,479	2,510
Asset retirement obligations	1,200	1,170
Accrued pension and other benefits	1,330	1,339
Derivative liabilities	324	240
Other liabilities and deferred credits	412	407
Total deferred credits and other liabilities	7,146	6,979
Commitments and contingencies (Notes 12 and 13)		
Total capitalization and liabilities	\$ 32,137	\$ 31,236

See Notes to Progress Energy, Inc. Unaudited Condensed Consolidated Interim Financial Statements.

PROGRESS ENERGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS of CASH FLOWS

(in millions)

Six months ended June 30	2010	2009
Operating activities		
Net income	\$ 370	\$ 357
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	555	576
Deferred income taxes and investment tax credits, net	117	13
Deferred fuel (credit) cost	(137)	129
Allowance for equity funds used during construction	(46)	(75)
Other adjustments to net income	136	118
Cash (used) provided by changes in operating assets and liabilities		
Receivables	(126)	(36)
Inventory	87	(118)
Derivative collateral posted	(40)	47
Other assets	(13)	41
Income taxes, net	152	110
Accounts payable	110	(30)
Other liabilities	(6)	(37)
Net cash provided by operating activities	1,159	1,095
Investing activities		
Gross property additions	(1,116)	(1,172)
Nuclear fuel additions	(119)	(60)
Purchases of available-for-sale securities and other investments	(3,815)	(982)
Proceeds from available-for-sale securities and other investments	3,792	960
Other investing activities	14	(3)
Net cash used by investing activities	(1,244)	(1,257)
Financing activities		
Issuance of common stock, net	405	545
Dividends paid on common stock	(354)	(347)
Payments of short-term debt with original maturities greater than 90 days	-	(129)
Net decrease in short-term debt	(140)	(521)
Proceeds from issuance of long-term debt, net	591	1,337
Retirement of long-term debt	(400)	(400)
Other financing activities	(52)	(51)
Net cash provided by financing activities	50	434
Net (decrease) increase in cash and cash equivalents	(35)	272
Cash and cash equivalents at beginning of period	725	180
Cash and cash equivalents at end of period	\$ 690	\$ 452
Supplemental disclosures		
Significant noncash transactions		
Accrued property additions	\$ 274	\$ 301

See Notes to Progress Energy, Inc. Unaudited Condensed Consolidated Interim Financial Statements.

CAROLINA POWER & LIGHT COMPANY
d/b/a PROGRESS ENERGY CAROLINAS, INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS of INCOME

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2010	2009	2010	2009
Operating revenues	\$ 1,117	\$ 1,076	\$ 2,380	\$ 2,254
Operating expenses				
Fuel used in electric generation	375	383	858	825
Purchased power	76	57	126	114
Operation and maintenance	300	283	585	542
Depreciation, amortization and accretion	120	118	238	235
Taxes other than on income	51	51	111	105
Other	(1)	2	-	2
Total operating expenses	921	894	1,918	1,823
Operating income	196	182	462	431
Other income (expense)				
Interest income	1	1	2	3
Allowance for equity funds used during construction	15	7	28	16
Other, net	4	4	(3)	(3)
Total other income, net	20	12	27	16
Interest charges				
Interest charges	53	52	103	109
Allowance for borrowed funds used during construction	(5)	(3)	(9)	(6)
Total interest charges, net	48	49	94	103
Income before income tax	168	145	395	344
Income tax expense	57	51	146	122
Income before cumulative effect of change in accounting principle	111	94	249	222
Cumulative effect of change in accounting principle, net of tax	-	-	(2)	-
Net income	111	94	247	222
Net loss attributable to noncontrolling interests, net of tax	1	1	3	1
Net income attributable to controlling interests	112	95	250	223
Preferred stock dividend requirement	-	-	(1)	(1)
Net income available to parent	\$ 112	\$ 95	\$ 249	\$ 222

See Notes to Progress Energy Carolinas, Inc. Unaudited Condensed Consolidated Interim Financial Statements.

CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)	June 30, 2010	December 31, 2009
ASSETS		
Utility plant		
Utility plant in service	\$ 16,553	\$ 16,297
Accumulated depreciation	(7,631)	(7,520)
Utility plant in service, net	8,922	8,777
Held for future use	12	11
Construction work in progress	1,060	702
Nuclear fuel, net of amortization	430	396
Total utility plant, net	10,424	9,886
Current assets		
Cash and cash equivalents	206	35
Receivables, net	508	442
Receivables from affiliated companies	15	33
Notes receivable from affiliated companies	2	204
Inventory	591	677
Deferred fuel cost	101	88
Income taxes receivable	26	38
Prepayments and other current assets	61	61
Total current assets	1,510	1,578
Deferred debits and other assets		
Regulatory assets	894	873
Nuclear decommissioning trust funds	859	871
Miscellaneous other property and investments	187	199
Other assets and deferred debits	92	95
Total deferred debits and other assets	2,032	2,038
Total assets	\$ 13,966	\$ 13,502
CAPITALIZATION AND LIABILITIES		
Common stock equity		
Common stock without par value, 200 million shares authorized, 160 million shares issued and outstanding	\$ 2,125	\$ 2,108
Unearned ESOP shares	-	(12)
Accumulated other comprehensive loss	(41)	(27)
Retained earnings	2,785	2,588
Total common stock equity	4,869	4,657
Noncontrolling interests	-	3
Total equity	4,869	4,660
Preferred stock	59	59
Long-term debt, net	3,688	3,703
Total capitalization	8,616	8,422
Current liabilities		
Current portion of long-term debt	6	6
Accounts payable	426	355
Payables to affiliated companies	87	72
Interest accrued	72	70
Customer deposits	101	95
Derivative liabilities	48	29
Accrued compensation and other benefits	53	86
Other current liabilities	122	50
Total current liabilities	915	763
Deferred credits and other liabilities		
Noncurrent income tax liabilities	1,327	1,258
Accumulated deferred investment tax credits	107	110
Regulatory liabilities	1,307	1,293
Asset retirement obligations	822	801
Accrued pension and other benefits	703	708
Other liabilities and deferred credits	169	147
Total deferred credits and other liabilities	4,435	4,317
Commitments and contingencies (Notes 12 and 13)		
Total capitalization and liabilities	\$ 13,966	\$ 13,502

See Notes to Progress Energy Carolinas, Inc. Unaudited Condensed Consolidated Interim Financial Statements.

CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS of CASH FLOWS

(in millions)

Six months ended June 30	2010	2009
Operating activities		
Net income	\$ 247	\$ 222
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	294	286
Deferred income taxes and investment tax credits, net	55	10
Deferred fuel cost	21	92
Allowance for equity funds used during construction	(28)	(16)
Other adjustments to net income	47	52
Cash (used) provided by changes in operating assets and liabilities		
Receivables	(39)	42
Receivables from affiliated companies	18	13
Inventory	85	(60)
Other assets	(18)	32
Income taxes, net	12	63
Accounts payable	20	(43)
Payables to affiliated companies	15	(24)
Other liabilities	(12)	(23)
Net cash provided by operating activities	717	646
Investing activities		
Gross property additions	(580)	(402)
Nuclear fuel additions	(106)	(42)
Purchases of available-for-sale securities and other investments	(252)	(517)
Proceeds from available-for-sale securities and other investments	227	492
Changes in advances to affiliated companies	202	(75)
Net cash used by investing activities	(509)	(544)
Financing activities		
Dividends paid on preferred stock	(1)	(1)
Dividends paid to parent	(50)	(200)
Net decrease in short-term debt	-	(110)
Proceeds from issuance of long-term debt, net	-	595
Retirement of long-term debt	-	(400)
Contributions from parent	14	15
Other financing activities	-	(1)
Net cash used by financing activities	(37)	(102)
Net increase in cash and cash equivalents	171	-
Cash and cash equivalents at beginning of period	35	18
Cash and cash equivalents at end of period	\$ 206	\$ 18
Supplemental disclosures		
Significant noncash transactions		
Accrued property additions	\$ 158	\$ 128

See Notes to Progress Energy Carolinas, Inc. Unaudited Condensed Consolidated Interim Financial Statements.

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2010

UNAUDITED CONDENSED STATEMENTS of INCOME

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2010	2009	2010	2009
Operating revenues	\$ 1,252	\$ 1,234	\$ 2,522	\$ 2,496
Operating expenses				
Fuel used in electric generation	368	443	781	955
Purchased power	239	200	452	360
Operation and maintenance	208	204	413	406
Depreciation, amortization and accretion	110	105	234	265
Taxes other than on income	83	80	176	168
Other	-	7	-	7
Total operating expenses	1,008	1,039	2,056	2,161
Operating income	244	195	466	335
Other income				
Interest income	1	-	1	1
Allowance for equity funds used during construction	10	29	18	59
Other, net	1	7	3	7
Total other income, net	12	36	22	67
Interest charges				
Interest charges	70	64	134	131
Allowance for borrowed funds used during construction	(2)	(9)	(7)	(18)
Total interest charges, net	68	55	127	113
Income before income tax	188	176	361	289
Income tax expense	69	57	140	81
Net income	119	119	221	208
Preferred stock dividend requirement	-	-	(1)	(1)
Net income available to parent	\$ 119	\$ 119	\$ 220	\$ 207

See Notes to Progress Energy Florida, Inc. Unaudited Condensed Interim Financial Statements.

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.

UNAUDITED CONDENSED BALANCE SHEETS

(in millions)	June 30, 2010	December 31, 2009
ASSETS		
Utility plant		
Utility plant in service	\$ 12,993	\$ 12,438
Accumulated depreciation	(4,075)	(3,987)
Utility plant in service, net	8,918	8,451
Held for future use	36	36
Construction work in progress	854	1,088
Nuclear fuel, net of amortization	169	158
Total utility plant, net	9,977	9,733
Current assets		
Cash and cash equivalents	113	17
Receivables, net	488	356
Receivables from affiliated companies	6	8
Inventory	647	648
Regulatory assets	223	54
Derivative collateral posted	174	139
Deferred tax assets	78	115
Prepayments and other current assets	18	80
Total current assets	1,747	1,417
Deferred debits and other assets		
Regulatory assets	1,317	1,307
Nuclear decommissioning trust funds	482	496
Miscellaneous other property and investments	43	42
Other assets and deferred debits	127	105
Total deferred debits and other assets	1,969	1,950
Total assets	\$ 13,693	\$ 13,100
CAPITALIZATION AND LIABILITIES		
Common stock equity		
Common stock without par value, 60 million shares authorized, 100 shares issued and outstanding	\$ 1,747	\$ 1,744
Accumulated other comprehensive (loss) income	(7)	3
Retained earnings	2,912	2,743
Total common stock equity	4,652	4,490
Preferred stock	34	34
Long-term debt, net	4,481	3,883
Total capitalization	9,167	8,407
Current liabilities		
Current portion of long-term debt	-	300
Notes payable to affiliated companies	7	221
Accounts payable	509	451
Payables to affiliated companies	56	62
Interest accrued	76	72
Customer deposits	215	205
Derivative liabilities	179	161
Accrued compensation and other benefits	29	53
Other current liabilities	247	89
Total current liabilities	1,318	1,614
Deferred credits and other liabilities		
Noncurrent income tax liabilities	877	767
Regulatory liabilities	1,060	1,103
Asset retirement obligations	378	369
Accrued pension and other benefits	389	395
Capital lease obligations	204	208
Derivative liabilities	223	174
Other liabilities and deferred credits	77	63
Total deferred credits and other liabilities	3,208	3,079
Commitments and contingencies (Notes 12 and 13)		
Total capitalization and liabilities	\$ 13,693	\$ 13,100

See Notes to Progress Energy Florida, Inc. Unaudited Condensed Interim Financial Statements.

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.
UNAUDITED CONDENSED STATEMENTS of CASH FLOWS

(in millions)

Six months ended June 30	2010	2009
Operating activities		
Net income	\$ 221	\$ 208
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	244	280
Deferred income taxes and investment tax credits, net	138	(41)
Deferred fuel (credit) cost	(158)	37
Allowance for equity funds used during construction	(18)	(59)
Other adjustments to net income	62	47
Cash (used) provided by changes in operating assets and liabilities		
Receivables	(87)	(76)
Receivables from affiliated companies	2	8
Inventory	1	(58)
Derivative collateral posted	(27)	38
Other assets	(10)	22
Income taxes, net	122	16
Accounts payable	98	16
Payables to affiliated companies	(6)	(7)
Other liabilities	28	14
Net cash provided by operating activities	610	445
Investing activities		
Gross property additions	(543)	(770)
Nuclear fuel additions	(13)	(18)
Purchases of available-for-sale securities and other investments	(3,505)	(415)
Proceeds from available-for-sale securities and other investments	3,508	420
Other investing activities	15	(4)
Net cash used by investing activities	(538)	(787)
Financing activities		
Dividends paid on preferred stock	(1)	(1)
Dividends paid to parent	(50)	-
Net decrease in short-term debt	-	(371)
Proceeds from issuance of long-term debt, net	591	-
Retirement of long-term debt	(300)	-
Changes in advances from affiliated companies	(214)	406
Contributions from parent	-	310
Other financing activities	(2)	(2)
Net cash provided by financing activities	24	342
Net increase in cash and cash equivalents	96	-
Cash and cash equivalents at beginning of period	17	19
Cash and cash equivalents at end of period	\$ 113	\$ 19
Supplemental disclosures		
Significant noncash transactions		
Accrued property additions	\$ 113	\$ 172

See Notes to Progress Energy Florida, Inc. Unaudited Condensed Interim Financial Statements.

PROGRESS ENERGY, INC.

CAROLINA POWER & LIGHT COMPANY d/b/a/ PROGRESS ENERGY CAROLINAS, INC.

FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.

COMBINED NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

INDEX TO APPLICABLE COMBINED NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS BY REGISTRANT

Each of the following combined notes to the unaudited condensed interim financial statements of the Progress Registrants are applicable to Progress Energy, Inc. but not to each of PEC and PEF. The following table sets forth which notes are applicable to each of PEC and PEF. The notes that are not listed below for PEC or PEF are not, and shall not be deemed to be, part of PEC's or PEF's financial statements contained herein.

<u>Registrant</u>	<u>Applicable Notes</u>
PEC	1 through 9 and 11 through 13
PEF	1 through 9 and 11 through 13

PROGRESS ENERGY, INC.
CAROLINA POWER & LIGHT COMPANY d/b/a PROGRESS ENERGY CAROLINAS, INC.
FLORIDA POWER CORPORATION d/b/a PROGRESS ENERGY FLORIDA, INC.
COMBINED NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

In this report, Progress Energy, which includes Progress Energy, Inc. holding company (the Parent) and its regulated and nonregulated subsidiaries on a consolidated basis, is at times referred to as “we,” “us” or “our.” When discussing Progress Energy’s financial information, it necessarily includes the results of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC) and Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF) (collectively, the Utilities). The term “Progress Registrants” refers to each of the three separate registrants: Progress Energy, PEC and PEF. The information in these combined notes relates to each of the Progress Registrants as noted in the Index to Applicable Combined Notes to Unaudited Condensed Interim Financial Statements by Registrant. However, neither of the Utilities makes any representation as to information related solely to Progress Energy or the subsidiaries of Progress Energy other than itself.

PROGRESS ENERGY

The Parent is a holding company headquartered in Raleigh, N.C. As such, we are subject to regulation by the Federal Energy Regulatory Commission (FERC) under the regulatory provisions of the Public Utility Holding Company Act of 2005 (PUHCA 2005).

Our reportable segments are PEC and PEF, both of which are primarily engaged in the generation, transmission, distribution and sale of electricity. The Corporate and Other segment primarily includes amounts applicable to the activities of the Parent and Progress Energy Service Company, LLC (PESC) and other miscellaneous nonregulated businesses (Corporate and Other) that do not separately meet the quantitative disclosure requirements as a reportable business segment. See Note 10 for further information about our segments.

PEC

PEC is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. PEC’s subsidiaries are involved in insignificant nonregulated business activities. PEC is subject to the regulatory jurisdiction of the North Carolina Utilities Commission (NCUC), Public Service Commission of South Carolina (SCPSC), the United States Nuclear Regulatory Commission (NRC) and the FERC.

PEF

PEF is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in west central Florida. PEF is subject to the regulatory jurisdiction of the Florida Public Service Commission (FPSC), the NRC and the FERC.

B. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. The December 31, 2009 condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. Because the accompanying interim financial statements do not include all of the information and footnotes required by GAAP for annual financial statements, they should be read in conjunction with the audited financial statements and notes thereto included in the Progress Registrants’ annual report on Form 10-K for the fiscal year ended December 31, 2009 (2009 Form 10-K).

The Utilities collect from customers certain excise taxes levied by the state or local government upon the customers. The Utilities account for sales and use tax on a net basis and gross receipts tax, franchise taxes and other excise taxes on a gross basis.

The amount of gross receipts tax, franchise taxes and other excise taxes included in electric operating revenues and taxes other than on income in the statements of income were as follows:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Progress Energy	\$ 81	\$ 77	\$ 164	\$ 156
PEC	27	26	57	52
PEF	54	51	107	104

The amounts included in these financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary to fairly present the Progress Registrants' financial position and results of operations for the interim periods. Unless otherwise noted, all adjustments are normal and recurring in nature. Due to seasonal weather variations, the impact of regulatory orders received, and the timing of outages of electric generating units, especially nuclear-fueled units, the results of operations for interim periods are not necessarily indicative of amounts expected for the entire year or future periods.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Certain amounts for 2009 have been reclassified to conform to the 2010 presentation.

C. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

We consolidate all voting interest entities in which we own a majority voting interest and all variable interest entities (VIEs) for which we are the primary beneficiary. We determine whether we are the primary beneficiary of a VIE through a qualitative analysis that identifies which variable interest holder has the controlling financial interest in the VIE. The variable interest holder who has both of the following has the controlling financial interest and is the primary beneficiary: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In performing our analysis, we consider all relevant facts and circumstances, including: the design and activities of the VIE, the terms of the contracts the VIE has entered into, the nature of the VIE's variable interests issued and how they were negotiated with or marketed to potential investors, and which parties participated significantly in the design or redesign of the entity.

In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance which made significant changes to the model for determining who should consolidate a VIE and addressed how often this assessment should be performed. The guidance was effective for us on January 1, 2010 (see Note 2). As a result of the adoption, we and PEC deconsolidated two limited partnerships that qualify for federal affordable housing and historic tax credits under Section 42 of the Internal Revenue Code (the Code) and recognized a \$(2) million cumulative effect adjustment during the six months ended June 30, 2010.

PROGRESS ENERGY

Progress Energy, through its subsidiary PEC, is the managing member and primary beneficiary of, and consolidates a limited partnership which qualifies for federal affordable housing and historic tax credits under Section 42 of the Code. Our variable interests are debt and equity investments in the VIE. There were no changes to our assessment of the primary beneficiary during 2009 or for the period ended June 30, 2010. No financial or other support has been provided to the VIE during the periods presented.

The following table sets forth the carrying amount and classification of our investment in the partnership as reflected in the Consolidated Balance Sheets:

(in millions)	June 30, 2010	December 31, 2009
Miscellaneous other property and investments	\$ 15	\$ 17
Other assets and deferred debits	1	1
Accounts payable	5	4

The assets of the VIE are collateral for, and can only be used to settle, its obligations. The creditors of the VIE do not have recourse to our general credit or the general credit of PEC and there are no other arrangements that could expose us to losses.

Progress Energy, through its subsidiary PEC, has interests in two entities resulting from capital lease agreements. Both entities are VIEs and were established to lease buildings to PEC. Our maximum exposure to loss due to these capital lease agreements is a \$7.5 million mandatory fixed price purchase option for one of the buildings. Total lease payments to these counterparties under the lease agreements were \$1 million for the three and six months ended June 30, 2010 and 2009. We have requested the necessary information to consolidate these entities; both entities from which the necessary financial information was requested declined to provide the information to us, and, accordingly, we have applied the information scope exception provided by GAAP to the entities. We believe the effect of consolidating the entities would have an insignificant impact on our common stock equity, net earnings or cash flows. However, because we have not received any financial information from the counterparties, the impact cannot be determined at this time.

PEC

See discussion of PEC's variable interests in VIEs within the Progress Energy section.

PEF

PEF has no significant variable interests in VIEs.

D. SIGNIFICANT ACCOUNTING POLICIES

With the exception of the adoption of an accounting policy related to federal grants (discussed below) and new guidance relating to VIEs (See Note 2), there have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in our 2009 Form 10-K.

FEDERAL GRANT

The American Recovery and Reinvestment Act, signed into law in February 2009, contains provisions promoting energy efficiency and renewable energy. On April 28, 2010, we accepted a grant from the United States Department of Energy (DOE) for \$200 million in federal matching infrastructure funds in support of our Smart Grid initiatives. PEC and PEF each will receive up to \$100 million over a three-year period as project work progresses. The DOE will provide reimbursement for 50 percent of allowable project costs, as incurred, up to the DOE's maximum obligation of \$200 million. Projects funded by the grant must be completed by April 2013.

In accounting for the federal grant, we have elected to reduce the cost basis of applicable Smart Grid capital projects. Once these capital projects are placed into service, this election will reduce depreciation expense over the life of the assets. Other project costs incurred, which will be reimbursed by the DOE, are reflected in prepayments and other current assets on the Consolidated Balance Sheets.

We have incurred \$60 million of allowable Smart Grid project costs through June 30, 2010. As of June 30, 2010, the reimbursable portion of these project costs are reflected in receivables, net and other current liabilities on the Consolidated Balance Sheets. On July 23, 2010, we submitted to the DOE our initial request for reimbursement of \$30 million, which represents 50 percent of allowable Smart Grid project costs incurred.

2. NEW ACCOUNTING STANDARDS

CONSOLIDATIONS

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities." Subsequently, the FASB issued Accounting Standards Update (ASU) 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which codified SFAS No. 167 in the Accounting Standards Codification (ASC). This guidance made significant changes to the model for determining who should consolidate a VIE, addressed how often this assessment should be performed, required all existing arrangements with VIEs to be evaluated, and was adopted through a cumulative-effect adjustment. This guidance was effective for us on January 1, 2010. See Note 1C for information regarding our implementation of ASU 2009-17 and its impact on our and the Utilities' financial position and results of operations.

FAIR VALUE MEASUREMENT AND DISCLOSURES

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements," which amends ASC 820 to clarify certain existing disclosure requirements and to require a number of additional disclosures, including amounts and reasons for significant transfers between the three levels of the fair value hierarchy, and presentation of certain information in the reconciliation of recurring Level 3 measurements on a gross basis. ASU 2010-06 was effective for us on January 1, 2010, with certain disclosures effective for periods beginning January 1, 2011. The initial adoption of ASU 2010-06 resulted in additional disclosure in the notes to the financial statements but did not have an impact on our or the Utilities' financial position or results of operations.

3. REGULATORY MATTERS

A. PEC RETAIL RATE MATTERS

FUEL COST RECOVERY

On June 4, 2010, PEC filed with the NCUC for a decrease in the fuel rate charged to its North Carolina ratepayers. PEC is asking the NCUC to approve a \$170 million decrease in the fuel rates. This decrease is driven by declining fuel prices. If approved, the decrease would take effect December 1, 2010, and would reduce residential electric bills by \$5.60 per 1,000 kWh for fuel recovery. As discussed under "Demand-side Management and Energy-efficiency Cost Recovery," PEC also filed with the NCUC for an increase in the demand-side management (DSM) and energy-efficiency (EE) rate. Additionally on June 4, 2010, PEC filed for a decrease in the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard (NC REPS) rate, which if approved would take effect on December 1, 2010. If approved as filed, the net impact of the three filings would result in an average reduction in residential electric bills of 3.9 percent. We cannot predict the outcome of these matters.

On June 23, 2010, the SCPSC approved PEC's request for a decrease in the fuel rate charged to its South Carolina ratepayers. The \$17 million decrease in fuel rates is driven by declining fuel prices. The decrease was effective July 1, 2010, and decreased residential electric bills by \$2.73 per 1,000 kWh for fuel cost recovery. PEC also filed with the SCPSC for an increase in the DSM and EE rate effective July 1, 2010, which was approved on a provisional basis on June 30, 2010, pending review by the South Carolina Office of Regulatory Staff. If approved as filed, the net impact of the two filings would result in an average reduction in residential electric bills of 1.7 percent. We cannot predict the outcome of these matters.

DEMAND-SIDE MANAGEMENT AND ENERGY-EFFICIENCY COST RECOVERY

PEC is allowed to recover the costs of DSM and EE programs in North Carolina and South Carolina through an annual DSM and EE clause in each jurisdiction. The cost-recovery rider application in South Carolina has been approved by the SCPSC on a provisional basis pending a review by the South Carolina Office of Regulatory Staff.

PEC is allowed to capitalize DSM and EE costs intended to produce future benefits. In addition, the NCUC and the SCPSC have approved other forms of financial incentives for DSM and EE programs, including the recovery of net lost revenues and a performance incentive. DSM programs include, but are not limited to, any program or initiative that shifts the timing of electricity use from peak to nonpeak periods and includes load management, electricity system and operating controls, direct load control, interruptible load and electric system equipment and operating controls. EE programs include any equipment, physical or program change implemented after January 1, 2007, that results in less energy used to perform the same function. PEC has implemented a series of DSM and EE programs and will continue to pursue additional programs, which must be approved by the respective utility commissions. We cannot predict the outcome of DSM and EE filings currently pending approval or whether the implemented programs will produce the expected operational and economic results.

On June 4, 2010, PEC filed with the NCUC for an increase in the DSM and EE rate charged to its North Carolina ratepayers. PEC is asking the NCUC to approve a \$31 million increase in the DSM and EE rates. If approved, the increase would take effect December 1, 2010, and would increase residential electric bills by \$1.53 per 1,000 kWh for DSM and EE cost recovery. We cannot predict the outcome of this matter.

RENEWABLE ENERGY PORTFOLIO STANDARDS COST RECOVERY

PEC is required to file an annual NC REPS compliance report with the NCUC demonstrating the actions it has taken to comply with the NC REPS requirement. Compliance with the NC REPS requirement is measured via renewable energy certificates (REC) earned after January 1, 2008. North Carolina electric power suppliers with a renewable energy compliance obligation, including PEC, are participating in the REC tracking system, which came online July 1, 2010.

OTHER MATTERS

On October 13, 2008, the NCUC issued a Certificate of Public Convenience and Necessity allowing PEC to proceed with plans to construct an approximately 600-MW combined cycle dual fuel-capable generating facility at its Richmond County generation site to provide additional generating and transmission capacity to meet the growing energy demands of southern and eastern North Carolina. PEC projects that the generating facility and related transmission will be in service by June 2011.

On October 22, 2009, the NCUC issued its order granting PEC a Certificate of Public Convenience and Necessity to construct a 950-MW combined cycle natural gas-fueled electric generating facility at a site in Wayne County, N.C. PEC projects that the generating facility will be in service by January 2013.

On December 1, 2009, PEC filed with the NCUC a plan to retire no later than December 31, 2017, all of its coal-fired generating facilities in North Carolina that do not have scrubbers. These facilities total approximately 1,500 MW at four sites. PEC intends to continue to depreciate these units using the current depreciation rates on file with the NCUC and the SCPSC until PEC completes and files a new depreciation study.

On June 9, 2010, the NCUC issued its order granting PEC a Certificate of Public Convenience and Necessity to construct a 620-MW combined cycle natural gas-fueled electric generating facility at a site in New Hanover County, N.C. to replace the existing coal-fired generation at this site. PEC projects that the generating facility will be in service by late 2013 or early 2014.

B. PEF RETAIL RATE MATTERS

BASE RATES

On January 11, 2010, the FPSC approved a base rate increase for PEF of \$132 million effective January 1, 2010, which represents the annualized impact of the rate increase that was approved and effective July 2009 for the repowered Bartow Plant. The FPSC authorized PEF the opportunity to earn a return on equity (ROE) of 10.5 percent. Subsequently, PEF filed petitions for a motion for reconsideration and approval of an accounting order with the FPSC.

On June 1, 2010, the FPSC approved a settlement agreement between PEF and the interveners, with the exception of the Florida Association for Fairness in Ratemaking, to the 2009 rate case and to an accounting order petition filed by PEF in 2010. As part of the settlement, PEF withdrew its motion for reconsideration of the rate case order and its accounting order petition. Among other provisions, under the terms of the settlement agreement, PEF will maintain base rates at current levels through the last billing cycle of 2012. The settlement agreement also provides that PEF will have the discretion to reduce depreciation expense (cost of removal component) by up to \$150 million in 2010, up to \$250 million in 2011, and up to any remaining balance in the cost of removal component of the depreciation reserve in 2012 until the earlier of (a) PEF's applicable cost of removal reserve reaches zero, or (b) the expiration of the settlement agreement at the end of 2012. In the event PEF reduces depreciation expense by less than the annual amounts for 2010 or 2011, PEF may carry forward (i.e., increase the annual cap by) any unused cost of removal reserve amounts in subsequent years during the term of the agreement. The balance of the cost of removal reserve is impacted by accruals in accordance with PEF's latest depreciation study, removal costs expended and reductions in depreciation expense as permitted by the settlement agreement. For the three and six months ended June 30, 2010, PEF recognized a \$10 million reduction in depreciation expense pursuant to the settlement agreement. PEF's applicable cost of removal reserve of \$516 million is recorded as a regulatory liability on its June 30, 2010 Balance Sheet. The settlement agreement also provides that if PEF's actual retail base rate earnings fall below a 9.5 percent ROE on an adjusted or pro forma basis, as reported on a historical 12-month basis during the term of the agreement, PEF may seek general, limited, or interim base rate relief, or any combination thereof. Prior to requesting any such relief, PEF must have reflected on its referenced surveillance report associated depreciation expense reductions of at least \$150 million. The settlement agreement does not preclude PEF from requesting the FPSC to approve the recovery of costs (a) that are of a type which traditionally and historically would be, have been, or are presently recovered through cost-recovery clauses or surcharges, or (b) that are incremental costs not currently recovered in base rates which the legislature or FPSC determines are clause recoverable, or (c) which are recoverable through base rates under the nuclear cost-recovery legislation or the FPSC's nuclear cost-recovery rule. PEF also may, at its discretion, accelerate in whole or in part the amortization of certain regulatory assets over the term of the settlement agreement. Finally, PEF will be allowed to recover the costs of named storms on an expedited basis. Specifically, 60 days following the filing of a cost-recovery petition with the FPSC and based on a 12-month recovery period PEF can begin recovery, subject to refund, of up to \$4.00 per 1,000 kWh on monthly residential customer bills for storm costs. In the event the storm costs exceed that level, any excess additional costs will be deferred and recovered in a subsequent year or years as determined by the FPSC.

On March 25, 2010, the FPSC opened a docket to review PEF's current allowance for funds used during construction (AFUDC) rate. On May 20, 2010, PEF filed with the FPSC prescribed schedules for the rolling twelve-month period ended March 31, 2010, with an effective date of April 1, 2010, based on its updated authorized ROE and all adjustments approved on January 11, 2010, in PEF's base rate case. The FPSC is scheduled to address this matter on August 31, 2010, with an order expected in September 2010. We cannot predict the outcome of this matter.

NUCLEAR COST RECOVERY

Levy Nuclear

In 2008, the FPSC granted PEF's petition for an affirmative Determination of Need and related orders requesting cost-recovery under Florida's nuclear cost-recovery rule for PEF's proposed Levy Units 1 and 2 nuclear power plants (Levy), together with the associated facilities, including transmission lines and substation facilities. Levy Units 1 and 2 are needed to maintain electric system reliability and integrity, provide fuel and generating diversity, and to allow PEF to continue to provide adequate electricity to its customers at a reasonable cost. The proposed Levy units will be advanced passive light water nuclear reactors, each with a generating capacity of approximately 1,100 MW. The petition included projections that Levy Unit 1 would be placed in service by June 2016 and Levy Unit 2 by June 2017. The filed, nonbinding project cost estimate for Levy Units 1 and 2 was approximately \$14 billion for generating facilities and approximately \$3 billion for associated transmission facilities.

In PEF's 2010 nuclear cost-recovery filing (See "Cost Recovery"), PEF identified a schedule shift in the Levy project that resulted from the NRC's 2009 determination that certain schedule-critical work that PEF had proposed

to perform within the scope of its Limited Work Authorization request submitted with the combined operating license (COL) application will not be authorized until the NRC issues the COL. Consequently, excavation and foundation preparation work anticipated in the initial schedule cannot begin until the COL is issued, resulting in a project shift of at least 20 months. Since then, regulatory and economic conditions identified in the 2010 nuclear cost-recovery filing have changed such that major construction activities on the Levy project are being postponed until after the NRC issues the COL, which is expected to be in late 2012 if the current licensing schedule remains on track. Taking into account cost, potential carbon regulation, fossil fuel price volatility and the benefits of fuel diversification, we consider Levy to be PEF's preferred baseload generation option. Along with the FPSC's annual prudence reviews, we will continue to evaluate the project on an ongoing basis based on certain criteria, including, but not limited to, public, regulatory and political support; adequate financial cost-recovery mechanisms; appropriate levels of joint owner participation; customer rate impacts; project feasibility, including comparison to other generation options, DSM and EE programs; and availability and terms of capital financing.

Crystal River Unit No. 3 Nuclear Plant Uprate

In 2007, the FPSC issued an order approving PEF's Determination of Need petition related to a multi-stage uprate of its Crystal River Unit No. 3 Nuclear Plant (CR3) that will increase CR3's gross output by approximately 180 MW by 2012. PEF implemented the first stage's design modifications in 2008. PEF will apply for the required license amendment for the third stage's design modification.

Cost Recovery

In 2009, pursuant to the FPSC nuclear cost-recovery rule, PEF filed a petition to recover \$446 million through the capacity cost-recovery clause (CCRC), which primarily consisted of preconstruction and carrying costs incurred or anticipated to be incurred during 2009 and the projected 2010 costs associated with the Levy and CR3 uprate projects. In an effort to help mitigate the initial price impact on its customers, as part of its filing, PEF proposed collecting certain costs over a five-year period, with associated carrying costs on the unrecovered balance. The FPSC approved the alternate proposal allowing PEF to recover revenue requirements associated with the nuclear cost-recovery clause through the CCRC beginning with the first billing cycle of January 2010. The remainder, with minor adjustments, will also be recovered through the CCRC. In adopting PEF's proposed rate management plan for 2010, the FPSC permitted PEF to annually reconsider changes to the recovery of deferred amounts to afford greater flexibility to manage future rate impacts. The rate management plan includes the reclassification to the nuclear cost-recovery clause regulatory asset of \$198 million of capacity revenues and the accelerated amortization of \$76 million of preconstruction costs. The cumulative amount of \$274 million was recorded as a nuclear cost-recovery regulatory asset at December 31, 2009, and is projected to be recovered by 2014.

On April 30, 2010, PEF filed its annual nuclear cost-recovery filing with the FPSC to recover \$164 million which includes recovery of pre-construction, carrying and CCRC recoverable operations and maintenance (O&M) costs incurred or anticipated to be incurred during 2011, recovery of \$60 million of the 2009 deferral in 2011, as well as the estimated actual true-up of 2010 costs associated with the Levy and CR3 uprate projects. This results in an estimated decrease in the nuclear cost-recovery charge of \$1.46 per 1,000 kWh for residential customers, which if approved, would begin with the first January 2011 billing cycle. The FPSC has scheduled hearings in this matter for August 24-27, 2010, with a decision expected in October 2010. We cannot predict the outcome of this matter.

CR3 OUTAGE

In September 2009, CR3 began an outage for normal refueling and maintenance as well as its uprate project to increase its generating capability and to replace two steam generators. During preparations to replace the steam generators, workers discovered a delamination within the concrete of the outer wall of the containment structure, which has resulted in an extension of the outage. After a comprehensive analysis, PEF has determined that the concrete delamination at CR3 was caused by redistribution of stresses on the containment wall that occurred when we created an opening to accommodate the replacement of the unit's steam generators. We are pursuing a detailed repair plan that would achieve the unit's return to service during the fourth quarter of 2010. The actual return to service date will be determined by a number of factors, including regulatory reviews with the NRC and other agencies as appropriate, emergent work, final engineering designs and testing, weather and other developments.

PEF maintains insurance coverage against incremental costs of replacement power resulting from prolonged accidental outages at CR3 through Nuclear Electric Insurance Limited (NEIL). This program provides insurance coverage, with a 12-week deductible period, for 52 weeks in the amount of \$4.5 million per week. An additional 71 weeks of coverage is provided at 80 percent of the above weekly amount. PEF also maintains insurance coverage through an accidental property damage program, which provides insurance coverage with a \$10 million deductible per claim. PEF notified NEIL of the claim related to the CR3 delamination event on October 15, 2009. NEIL has confirmed that the CR3 delamination event is a covered accident.

On June 28, 2010, PEF received a payment of \$42 million from a periodic partial payment claim filed with NEIL, representing \$15 million for repair costs and \$27 million for replacement power costs. The \$27 million received for replacement power costs was recorded as a reduction to the deferred fuel cost regulatory asset at June 30, 2010. At June 30, 2010, PEF's deferred fuel cost regulatory asset included \$139 million related to replacement power costs associated with the extension of the CR3 outage, net of the \$27 million in insurance proceeds received to date. PEF has incurred \$79 million in repair costs through June 30, 2010. At June 30, 2010, PEF has recorded a \$54 million receivable for insurance on its Balance Sheet, which represents the \$79 million in repair costs less the \$10 million deductible and applicable repair cost insurance proceeds received to date. Additional replacement power costs and repair and maintenance costs incurred until CR3 is returned to service could be material. PEF considers replacement power costs in excess of insurance coverage to be recoverable through its fuel cost-recovery clause. We cannot predict the outcome of the recovery of replacement power costs in excess of insurance coverage.

DEMAND-SIDE MANAGEMENT COST RECOVERY

On December 30, 2009, the FPSC ordered PEF and other Florida utilities to adopt DSM goals based on enhanced measures, which will result in significantly higher conservation goals. Under the order, PEF's aggregate conservation goals over the next ten years were: 1,183 Summer MW, 1,072 Winter MW, and 3,488 gigawatt-hours (GWh). PEF filed with the FPSC a motion for reconsideration to correct what we believed were oversights or errors. The FPSC subsequently revised the aggregate goals to 1,134 Summer MW, 1,058 Winter MW, and 3,205 GWh over the next ten years. On March 30, 2010, PEF filed a petition for approval of its proposed DSM plan and to authorize cost recovery through the Energy Conservation Cost Recovery Clause (ECCR). The estimated average annual program costs are approximately \$484 million, which corresponds to an average annual residential customer electric bill impact of approximately \$17 per 1,200 kWh. An agenda conference has been scheduled by the FPSC for August 31, 2010. We cannot predict the outcome of this matter.

4. EQUITY AND COMPREHENSIVE INCOME

A. EARNINGS PER COMMON SHARE

There are no material differences between our basic and diluted earnings per share amounts for the three and six months ended June 30, 2010 and 2009. The effects of restricted stock unit awards, performance share awards and stock options outstanding on diluted earnings per share are immaterial.

B. RECONCILIATION OF TOTAL EQUITY

PROGRESS ENERGY

The consolidated financial statements include the accounts of Progress Energy and its majority owned subsidiaries. Noncontrolling interests principally represent minority shareholders' proportionate share of the equity of a subsidiary and a VIE (See Note 1C).

The following table presents changes in total equity for the year to date:

(in millions)	Total Common Stock Equity		Noncontrolling Interests		Total Equity
Balance, December 31, 2009	\$	9,449	\$	6	\$ 9,455
Net income (loss)^(a)		370		(2)	368
Other comprehensive loss		(44)		-	(44)
Issuance of shares through offerings and stock-based compensation plans (See Note 4D)		443		-	443
Dividends declared		(361)		-	(361)
Distributions to noncontrolling interests		-		(2)	(2)
Balance, June 30, 2010	\$	9,857	\$	2	\$ 9,859
Balance, December 31, 2008	\$	8,687	\$	6	\$ 8,693
Net income (loss) ^(a)		356		(1)	355
Other comprehensive income		20		-	20
Issuance of shares through offerings and stock-based compensation plans (See Note 4D)		582		-	582
Dividends declared		(356)		-	(356)
Distributions to noncontrolling interests		-		(1)	(1)
Other		-		2	2
Balance, June 30, 2009	\$	9,289	\$	6	\$ 9,295

^(a) For the six months ended June 30, 2010, consolidated net income of \$370 million includes \$2 million attributable to preferred shareholders of subsidiaries, which is not a component of total equity and is excluded from the table above. For the six months ended June 30, 2009, consolidated net income of \$357 million includes \$2 million attributable to preferred shareholders of subsidiaries, which is not a component of total equity and is excluded from the table above.

PEC

The consolidated financial statements include the accounts of PEC and its majority owned subsidiaries. Noncontrolling interests principally represent minority shareholders' proportionate share of the equity of a VIE (see Note 1C).

The following table presents changes in total equity for the year to date:

(in millions)	Total Common Stock Equity		Noncontrolling Interests		Total Equity
Balance, December 31, 2009	\$	4,657	\$	3	\$ 4,660
Net income (loss)		250		(3)	247
Other comprehensive loss		(14)			(14)
Issuance of shares through stock-based compensation plans		29		-	29
Dividends paid to parent		(50)		-	(50)
Preferred stock dividends at stated rate		(1)		-	(1)
Tax benefit dividend		(2)		-	(2)
Balance, June 30, 2010	\$	4,869	\$	-	\$ 4,869
Balance, December 31, 2008	\$	4,301	\$	4	\$ 4,305
Net income (loss)		223		(1)	222
Other comprehensive income		4		-	4
Issuance of shares through stock-based compensation plans		29		-	29
Dividends paid to parent		(200)		-	(200)
Preferred stock dividends at stated rate		(1)		-	(1)
Tax benefit dividend		(2)		-	(2)
Balance, June 30, 2009	\$	4,354	\$	3	\$ 4,357

PEF

Interim disclosures of changes in equity are required if the reporting entity has less than wholly-owned subsidiaries, of which PEF has none. Therefore, an equity reconciliation for PEF has not been provided.

C. COMPREHENSIVE INCOME

PROGRESS ENERGY

(in millions)	Three months ended June 30,	
	2010	2009
Net income	\$ 180	\$ 174
Other comprehensive income (loss)		
Reclassification adjustments included in net income		
Change in cash flow hedges (net of tax expense of \$1 and \$1, respectively)	2	2
Change in unrecognized items for pension and other postretirement benefits (net of tax expense of \$- and \$1, respectively)	1	1
Net unrealized (losses) gains on cash flow hedges (net of tax benefit (expense) of \$28 and \$(5), respectively)	(44)	8
Other (net of tax expense of \$-)	1	-
Other comprehensive (loss) income	(40)	11
Comprehensive income	140	185
Comprehensive income attributable to noncontrolling interests	-	-
Comprehensive income attributable to controlling interests	\$ 140	\$ 185

(in millions)	Six months ended June 30,	
	2010	2009
Net income	\$ 370	\$ 357
Other comprehensive income (loss)		
Reclassification adjustments included in net income		
Change in cash flow hedges (net of tax expense of \$2 and \$2, respectively)	3	3
Change in unrecognized items for pension and other postretirement benefits (net of tax expense of \$1 and \$1, respectively)	2	2
Net unrealized (losses) gains on cash flow hedges (net of tax benefit (expense) of \$32 and \$(9), respectively)	(50)	14
Other (net of tax expense of \$-)	1	1
Other comprehensive (loss) income	(44)	20
Comprehensive income	326	377
Comprehensive income attributable to noncontrolling interests	-	(1)
Comprehensive income attributable to controlling interests	\$ 326	\$ 376

PEC

(in millions)	Three months ended June 30,	
	2010	2009
Net income	\$ 111	\$ 94
Other comprehensive income (loss)		
Reclassification adjustments included in net income		
Change in cash flow hedges (net of tax expense of \$1 and \$1, respectively)	1	2
Net unrealized (losses) gains on cash flow hedges (net of tax benefit (expense) of \$10 and \$(2), respectively)	(15)	2
Other comprehensive (loss) income	(14)	4
Comprehensive income	97	98
Comprehensive loss attributable to noncontrolling interests	1	1
Comprehensive income attributable to controlling interests	\$ 98	\$ 99

(in millions)	Six months ended June 30,	
	2010	2009
Net income	\$ 247	\$ 222
Other comprehensive income (loss)		
Reclassification adjustments included in net income		
Change in cash flow hedges (net of tax expense of \$1 and \$1, respectively)	2	2
Net unrealized (losses) gains on cash flow hedges (net of tax benefit (expense) of \$10 and \$(2), respectively)	(16)	2
Other comprehensive (loss) income	(14)	4
Comprehensive income	233	226
Comprehensive loss attributable to noncontrolling interests	3	1
Comprehensive income attributable to controlling interests	\$ 236	\$ 227

PEF

(in millions)	Three months ended June 30,	
	2010	2009
Net income	\$ 119	\$ 119
Other comprehensive income (loss)		
Net unrealized (losses) gains on cash flow hedges (net of tax benefit (expense) of \$4 and \$(2), respectively)	(7)	3
Other comprehensive (loss) income	(7)	3
Comprehensive income	\$ 112	\$ 122

(in millions)	Six months ended June 30,	
	2010	2009
Net income	\$ 221	\$ 208
Other comprehensive income (loss)		
Net unrealized (losses) gains on cash flow hedges (net of tax benefit (expense) of \$7 and \$(2), respectively)	(10)	3
Other comprehensive (loss) income	(10)	3
Comprehensive income	\$ 211	\$ 211

D. COMMON STOCK

At June 30, 2010 and December 31, 2009, we had 500 million shares of common stock authorized under our charter, of which 293 million shares and 281 million shares, respectively, were outstanding. We periodically issue shares of common stock through the Progress Energy 401(k) Savings & Stock Ownership Plan (401(k)), the Progress Energy Investor Plus Plan (IPP) and for other benefit plans.

The following table presents information for our common stock issuances:

(in millions)	Three months ended June 30,			
	2010		2009	
	Shares	Net Proceeds	Shares	Net Proceeds
Total issuances	5.4	\$ 208	-	\$ -
Issuances through 401(k) and/or IPP	5.4	208	-	-

(in millions)	Six months ended June 30,			
	2010		2009	
	Shares	Net Proceeds	Shares	Net Proceeds
Total issuances	11.5	\$ 405	15.5	\$ 545
Issuances under an underwritten public offering ^(a)	-	-	14.4	523
Issuances through 401(k) and/or IPP	10.7	405	0.6	22

^(a) The shares issued under an underwritten public offering were issued on January 12, 2009, at a public offering price of \$37.50.

5. PREFERRED STOCK OF SUBSIDIARIES

All of our preferred stock was issued by the Utilities. The preferred stock is considered temporary equity due to certain provisions that could require us to redeem the preferred stock for cash. In the event dividends payable on PEC or PEF preferred stock are in default for an amount equivalent to or exceeding four quarterly dividend payments, the holders of the preferred stock are entitled to elect a majority of PEC or PEF's respective board of directors until all accrued and unpaid dividends are paid. All classes of preferred stock are entitled to cumulative dividends with preference to the common stock dividends, are redeemable by vote of the Utilities' respective board of directors at any time, and do not have any preemptive rights. All classes of preferred stock have a liquidation preference equal to \$100 per share plus any accumulated unpaid dividends except for PEF's 4.75%, \$100 par value class, which does not have a liquidation preference. Each holder of PEC's preferred stock is entitled to one vote. The holders of PEF's preferred stock have no right to vote except for certain circumstances involving dividends payable on preferred stock that are in default or certain matters affecting the rights and preferences of the preferred stock.

6. DEBT AND CREDIT FACILITIES

Material changes, if any, to Progress Energy's, PEC's and PEF's debt and credit facilities and financing activities since December 31, 2009, are as follows.

On January 15, 2010, the Parent paid at maturity \$100 million of its Series A Floating Rate Notes with a portion of the proceeds from the \$950 million of Senior Notes issued in November 2009.

On March 25, 2010, PEF issued \$250 million of 4.55% First Mortgage Bonds due 2020 and \$350 million of 5.65% First Mortgage Bonds due 2040. Proceeds were used to repay the outstanding balance of PEF's notes payable to

affiliated companies, to repay the maturity of PEF's \$300 million 4.50% First Mortgage Bonds due June 1, 2010, and for general corporate purposes.

7. FAIR VALUE DISCLOSURES

A. DEBT AND INVESTMENTS

PROGRESS ENERGY

DEBT

The carrying amount of our long-term debt, including current maturities, was \$12.641 billion and \$12.457 billion at June 30, 2010 and December 31, 2009, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was \$14.2 billion and \$13.4 billion at June 30, 2010 and December 31, 2009, respectively.

INVESTMENTS

Certain investments in debt and equity securities that have readily determinable market values are accounted for as available-for-sale securities at fair value. Our available-for-sale securities include investments in stocks, bonds and cash equivalents held in trust funds, pursuant to NRC requirements, to fund certain costs of decommissioning the Utilities' nuclear plants as discussed in Note 4C of the 2009 Form 10-K. NDT funds are presented on the Consolidated Balance Sheets at fair value. In addition to the NDT funds, we hold other debt investments classified as available-for-sale, which are included in miscellaneous other property and investments on the Consolidated Balance Sheets at fair value.

The following table summarizes our available-for-sale securities at June 30, 2010 and December 31, 2009:

(in millions)	Fair Value	Unrealized Losses	Unrealized Gains
June 30, 2010			
Common stock equity securities	\$ 785	\$ 30	\$ 242
Preferred stock and other equity securities	17	-	6
Corporate debt securities	95	-	6
U.S. state and municipal debt securities	124	2	4
U.S. and foreign government debt securities	256	1	13
Money market funds and other securities	99	-	1
Total	\$ 1,376	\$ 33	\$ 272
December 31, 2009			
Common stock equity securities	\$ 839	\$ 22	\$ 301
Preferred stock and other equity securities	16	-	5
Corporate debt securities	71	1	5
U.S. state and municipal debt securities	118	2	3
U.S. and foreign government debt securities	197	1	8
Money market funds and other securities	161	-	-
Total	\$ 1,402	\$ 26	\$ 322

The NDT funds and other available-for-sale debt investments held in certain benefit trusts are managed by third-party investment managers who have a right to sell securities without our authorization. Net unrealized gains and losses of the NDT funds that would be recorded in earnings or other comprehensive income by a nonregulated entity are recorded as regulatory assets and liabilities pursuant to ratemaking treatment. Therefore, the preceding tables include the unrealized gains and losses for the NDT funds based on the original cost of the trust investments. All of

the unrealized losses and unrealized gains for 2010 and 2009 relate to the NDT funds. There were no material unrealized losses and unrealized gains for the other available-for-sale debt securities held in benefit trusts at June 30, 2010 and December 31, 2009.

The aggregate fair value of investments that related to the June 30, 2010 and December 31, 2009 unrealized losses was \$192 million and \$209 million, respectively.

At June 30, 2010, the fair value of our available-for-sale debt securities by contractual maturity was:

(in millions)	
Due in one year or less	\$ 21
Due after one through five years	232
Due after five through 10 years	141
Due after 10 years	96
Total	\$ 490

The following table presents selected information about our sales of available-for-sale securities. Realized gains and losses were determined on a specific identification basis.

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Proceeds	\$ 1,755	\$ 222	\$ 3,692	\$ 903
Realized gains	6	3	10	15
Realized losses	10	22	16	74

Proceeds were primarily related to NDT funds. Losses for investments in the benefit investment trusts were not material. Other securities are evaluated on an individual basis to determine if a decline in fair value below the carrying value is other-than-temporary. At June 30, 2010 and December 31, 2009, our other securities had no investments in a continuous loss position for greater than 12 months.

PEC

DEBT

The carrying amount of PEC's long-term debt, including current maturities, was \$3.694 billion and \$3.709 billion at June 30, 2010 and December 31, 2009, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was \$4.1 billion and \$4.0 billion at June 30, 2010 and December 31, 2009, respectively.

INVESTMENTS

Certain investments in debt and equity securities that have readily determinable market values are accounted for as available-for-sale securities at fair value. PEC's available-for-sale securities include investments in stocks, bonds and cash equivalents held in trust funds, pursuant to NRC requirements, to fund certain costs of decommissioning PEC's nuclear plants as discussed in Note 4C of the 2009 Form 10-K. NDT funds are presented on the Consolidated Balance Sheets at fair value.

The following table summarizes PEC's available-for-sale securities at June 30, 2010 and December 31, 2009:

(in millions)	Fair Value	Unrealized Losses	Unrealized Gains
June 30, 2010			
Common stock equity securities	\$ 504	\$ 22	\$ 149
Preferred stock and other equity securities	11	-	4
Corporate debt securities	70	-	5
U.S. state and municipal debt securities	42	-	1
U.S. and foreign government debt securities	212	1	12
Money market funds and other securities	22	-	1
Total	\$ 861	\$ 23	\$ 172

December 31, 2009

Common stock equity securities	\$ 545	\$ 19	\$ 186
Preferred stock and other equity securities	10	-	3
Corporate debt securities	67	1	4
U.S. state and municipal debt securities	37	-	1
U.S. and foreign government debt securities	177	1	8
Money market funds and other securities	35	-	-
Total	\$ 871	\$ 21	\$ 202

The NDT funds are managed by third-party investment managers who have a right to sell securities without our authorization. Net unrealized gains and losses of the NDT funds that would be recorded in earnings or other comprehensive income by a nonregulated entity are recorded as regulatory assets and liabilities pursuant to ratemaking treatment. Therefore, the preceding tables include the unrealized gains and losses for the NDT funds based on the original cost of the trust investments. All of the unrealized losses and gains for 2010 and 2009 relate to the NDT funds.

The aggregate fair value of investments that related to the June 30, 2010 and December 31, 2009 unrealized losses was \$110 million and \$121 million, respectively.

At June 30, 2010, the fair value of PEC's available-for-sale debt securities by contractual maturity was:

(in millions)	
Due in one year or less	\$ 17
Due after one through five years	182
Due after five through 10 years	85
Due after 10 years	47
Total	\$ 331

The following table presents selected information about PEC's sales of available-for-sale securities. Realized gains and losses were determined on a specific identification basis.

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Proceeds	\$ 115	\$ 83	\$ 222	\$ 477
Realized gains	3	1	6	5
Realized losses	7	9	12	30

PEC's proceeds were primarily related to NDT funds. Other securities are evaluated on an individual basis to determine if a decline in fair value below the carrying value is other-than-temporary. At June 30, 2010 and December 31, 2009, PEC did not have any other securities.

PEF

DEBT

The carrying amount of PEF's long-term debt, including current maturities, was \$4.481 billion and \$4.183 billion at June 30, 2010 and December 31, 2009, respectively. The estimated fair value of this debt, as obtained from quoted market prices for the same or similar issues, was \$5.1 billion and \$4.5 billion at June 30, 2010 and December 31, 2009, respectively.

INVESTMENTS

Certain investments in debt and equity securities that have readily determinable market values are accounted for as available-for-sale securities at fair value. PEF's available-for-sale securities include investments in stocks, bonds and cash equivalents held in trust funds, pursuant to NRC requirements, to fund certain costs of decommissioning PEF's nuclear plant as discussed in Note 4C of the 2009 Form 10-K. The NDT funds are presented on the Balance Sheets at fair value.

The following table summarizes PEF's available-for-sale securities at June 30, 2010 and December 31, 2009:

(in millions)	Fair Value	Unrealized Losses	Unrealized Gains
June 30, 2010			
Common stock equity securities	\$ 281	\$ 8	\$ 93
Preferred stock and other equity securities	6	-	2
Corporate debt securities	13	-	1
U.S. state and municipal debt securities	81	2	3
U.S. and foreign government debt securities	31	-	1
Money market funds and other securities	67	-	-
Total	\$ 479	\$ 10	\$ 100
December 31, 2009			
Common stock equity securities	\$ 294	\$ 3	\$ 115
Preferred stock and other equity securities	6	-	2
Corporate debt securities	4	-	1
U.S. state and municipal debt securities	80	2	2
U.S. and foreign government debt securities	13	-	-
Money market funds and other securities	99	-	-
Total	\$ 496	\$ 5	\$ 120

The NDT funds are managed by third-party investment managers who have a right to sell securities without our authorization. Net unrealized gains and losses of the NDT funds that would be recorded in earnings or other comprehensive income by a nonregulated entity are recorded as regulatory assets and liabilities pursuant to ratemaking treatment. Therefore, the preceding tables include unrealized gains and losses for the NDT funds based on the original cost of the trust investments. All of the unrealized losses and gains for 2010 and 2009 relate to the NDT funds.

The aggregate fair value of investments that related to the June 30, 2010 and December 31, 2009 unrealized losses was \$78 million and \$56 million, respectively.

At June 30, 2010, the fair value of PEF's available-for-sale debt securities by contractual maturity was:

(in millions)	
Due in one year or less	\$ 4
Due after one through five years	46
Due after five through 10 years	46
Due after 10 years	30
Total	\$ 126

The following table presents selected information about PEF's sales of available-for-sale securities. Realized gains and losses were determined on a specific identification basis.

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Proceeds	\$ 1,624	\$ 120	\$ 3,414	\$ 370
Realized gains	3	2	4	9
Realized losses	3	13	4	44

PEF's proceeds were related to NDT funds. Other securities are evaluated on an individual basis to determine if a decline in fair value below the carrying value is other-than-temporary. At June 30, 2010 and December 31, 2009, PEF did not have any other securities.

B. FAIR VALUE MEASUREMENTS

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements require the use of market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, corroborated by market data, or generally unobservable. Valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient.

GAAP also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, and requires fair value measurements to be categorized based on the observability of those inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are as follows:

Level 1 – The pricing inputs are unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives and listed equities.

Level 2 – The pricing inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 includes financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-

traded derivatives, such as over-the-counter forwards, swaps and options; certain marketable debt securities; and financial instruments traded in less than active markets.

Level 3 – The pricing inputs include significant inputs generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments may include longer-term instruments that extend into periods where quoted prices or other observable inputs are not available.

The following tables set forth, by level within the fair value hierarchy, our and the Utilities' financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2010. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

PROGRESS ENERGY

(in millions)	Level 1	Level 2	Level 3	Total
Assets				
Nuclear decommissioning trust funds				
Common stock equity	\$ 785	\$ -	\$ -	\$ 785
Preferred stock and other equity	17	-	-	17
Corporate debt	-	83	-	83
U.S. state and municipal debt	-	124	-	124
U.S. and foreign government debt	101	142	-	243
Money market funds and other	2	87	-	89
Total nuclear decommissioning trust funds	905	436	-	1,341
Derivatives				
Commodity forward contracts	-	14	-	14
Interest rate contracts	-	1	-	1
Other marketable securities				
Corporate debt	-	12	-	12
U.S. state and municipal debt	-	1	-	1
U.S. and foreign government debt	1	12	-	13
Money market funds and other	22	10	-	32
Total assets	\$ 928	\$ 486	\$ -	\$ 1,414

Liabilities

Derivatives				
Commodity forward contracts	\$ -	\$ 444	\$ 62	\$ 506
Interest rate contracts	-	63	-	63
Contingent value obligations derivatives	-	15	-	15
Total liabilities	\$ -	\$ 522	\$ 62	\$ 584

PEC

(in millions)	Level 1	Level 2	Level 3	Total
Assets				
Nuclear decommissioning trust funds				
Common stock equity	\$ 504	\$ -	\$ -	\$ 504
Preferred stock and other equity	11	-	-	11
Corporate debt	-	70	-	70
U.S. state and municipal debt	-	43	-	43
U.S. and foreign government debt	82	130	-	212
Money market funds and other	1	18	-	19
Total nuclear decommissioning trust funds	598	261	-	859
Derivatives				
Interest rate contracts	-	1	-	1
Other marketable securities	5	-	-	5
Total assets	\$ 603	\$ 262	\$ -	\$ 865
Liabilities				
Derivatives				
Commodity forward contracts	\$ -	\$ 74	\$ 42	\$ 116
Interest rate contracts	-	20	-	20
Total liabilities	\$ -	\$ 94	\$ 42	\$ 136

PEF

(in millions)	Level 1	Level 2	Level 3	Total
Assets				
Nuclear decommissioning trust funds				
Common stock equity	\$ 281	\$ -	\$ -	\$ 281
Preferred stock and other equity	6	-	-	6
Corporate debt	-	13	-	13
U.S. state and municipal debt	-	81	-	81
U.S. and foreign government debt	19	12	-	31
Money market funds and other	1	69	-	70
Total nuclear decommissioning trust funds	307	175	-	482
Derivatives				
Commodity forward contracts	-	14	-	14
Other marketable securities	3	-	-	3
Total assets	\$ 310	\$ 189	\$ -	\$ 499
Liabilities				
Derivatives				
Commodity forward contracts	\$ -	\$ 370	\$ 20	\$ 390
Interest rate contracts	-	12	-	12
Total liabilities	\$ -	\$ 382	\$ 20	\$ 402

The determination of the fair values in the preceding tables incorporates various factors, including risks of nonperformance by us or our counterparties. Such risks consider not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits or letters of credit), but also the impact of our and the Utilities' credit risk on our liabilities.

Transfers in (out) of Levels 1, 2 or 3 represent existing assets or liabilities that were previously categorized as a higher level for which the inputs to the estimate became less observable or assets and liabilities that were previously classified as Level 2 or 3 for which the lowest significant input became more observable during the period. There

were no significant transfers in (out) of Levels 1, 2 and 3 during the period. Transfers into and out of each level are measured at the end of the period.

Commodity forward contract derivatives and interest rate contract derivatives reflect positions held by us and the Utilities. Most over-the-counter commodity forward contract derivatives and interest rate contract derivatives are valued using financial models which utilize observable inputs for similar instruments and are classified within Level 2. Other derivatives are valued utilizing inputs that are not observable for substantially the full term of the contract, or for which the impact of the unobservable period is significant to the fair value of the derivative. Such derivatives are classified within Level 3. See Note 9 for discussion of risk management activities and derivative transactions.

NDT funds reflect the assets of the Utilities' nuclear decommissioning trusts. The assets of the trusts are invested primarily in exchange-traded equity securities (classified within Level 1) and marketable debt securities, most of which are valued using Level 1 inputs for similar instruments and are classified within Level 2.

Other marketable securities primarily represent available-for-sale debt securities used to fund certain employee benefit costs.

We issued Contingent Value Obligations (CVOs) in connection with the acquisition of Florida Progress, as discussed in Note 15 of the 2009 Form 10-K. The CVOs are derivatives recorded at fair value based on quoted prices from a less-than-active market and are classified as Level 2.

A reconciliation of changes in the fair value of our and the Utilities' commodity derivative liabilities classified as Level 3 in the fair value hierarchy for the periods ended June 30 follows:

PROGRESS ENERGY

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Derivatives, net at beginning of period	\$ 52	\$ 43	\$ 39	\$ 41
Total losses (gains), realized and unrealized deferred as regulatory assets and liabilities, net	10	(12)	23	(10)
Derivatives, net at end of period	\$ 62	\$ 31	\$ 62	\$ 31

PEC

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Derivatives, net at beginning of period	\$ 36	\$ 23	\$ 27	\$ 22
Total losses (gains), realized and unrealized deferred as regulatory assets and liabilities, net	6	(4)	15	(3)
Derivatives, net at end of period	\$ 42	\$ 19	\$ 42	\$ 19

PEF

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Derivatives, net at beginning of period	\$ 16	\$ 20	\$ 12	\$ 19
Total losses (gains), realized and unrealized deferred as regulatory assets and liabilities, net	4	(8)	8	(7)
Derivatives, net at end of period	\$ 20	\$ 12	\$ 20	\$ 12

Substantially all unrealized gains and losses on derivatives are deferred as regulatory liabilities or assets consistent with ratemaking treatment. There were no Level 3 purchases, sales, issuances or settlements during the period.

8. **BENEFIT PLANS**

We have noncontributory defined benefit retirement plans that provide pension benefits for substantially all full-time employees. We also have supplementary defined benefit pension plans that provide benefits to higher-level employees. In addition to pension benefits, we provide contributory other postretirement benefits (OPEB), including certain health care and life insurance benefits, for retired employees who meet specified criteria.

The components of the net periodic benefit cost for the respective Progress Registrants for the three months ended June 30 were:

PROGRESS ENERGY

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 12	\$ 10	\$ 2	\$ 2
Interest cost	35	34	8	9
Expected return on plan assets	(39)	(35)	(1)	(1)
Amortization of actuarial loss ^(a)	12	12	-	1
Other amortization, net ^(a)	2	2	1	1
Net periodic cost before deferral ^(b)	\$ 22	\$ 23	\$ 10	\$ 12

^(a) Adjusted to reflect PEF's rate treatment. See Note 16B in the 2009 Form 10-K.

^(b) PEF received permission from the FPSC to defer the retail portion of certain 2009 pension expense. The FPSC order did not change the total net periodic pension cost, but deferred a portion of the costs to be recovered in future periods. For the three months ended June 30, 2009, PEF deferred \$16 million of net periodic pension costs as a regulatory asset. See Notes 7C and 16A in the 2009 Form 10-K.

PEC

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 5	\$ 4	\$ 1	\$ 1
Interest cost	16	16	4	5
Expected return on plan assets	(19)	(17)	-	(1)
Amortization of actuarial loss	4	2	-	1
Other amortization, net	1	1	-	-
Net periodic cost	\$ 7	\$ 6	\$ 5	\$ 6

PEF

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 5	\$ 5	\$ -	\$ 1
Interest cost	15	14	3	3
Expected return on plan assets	(17)	(15)	-	-
Amortization of actuarial loss	7	9	-	-
Other amortization, net	-	-	1	1
Net periodic cost before deferral ^(a)	\$ 10	\$ 13	\$ 4	\$ 5

^(a) PEF received permission from the FPSC to defer the retail portion of certain 2009 pension expense. The FPSC order did not change the total net periodic pension cost, but deferred a portion of the costs to be recovered in future periods. For the three months ended June 30, 2009, PEF deferred \$16 million of net periodic pension costs as a regulatory asset. See Notes 7C and 16A in the 2009 Form 10-K.

The components of the net periodic benefit cost for the respective Progress Registrants for the six months ended June 30 were:

PROGRESS ENERGY

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 23	\$ 21	\$ 4	\$ 4
Interest cost	70	68	16	18
Expected return on plan assets	(78)	(69)	(2)	(3)
Amortization of actuarial loss ^(a)	25	24	1	2
Other amortization, net ^(a)	3	3	2	3
Net periodic cost before deferral ^(b)	\$ 43	\$ 47	\$ 21	\$ 24

^(a) Adjusted to reflect PEF's rate treatment. See Note 16B in the 2009 Form 10-K.

^(b) PEF received permission from the FPSC to defer the retail portion of certain 2009 pension expense. The FPSC order did not change the total net periodic pension cost, but deferred a portion of the costs to be recovered in future periods. For the six months ended June 30, 2009, PEF deferred \$16 million of net periodic pension costs as a regulatory asset. See Notes 7C and 16A in the 2009 Form 10-K.

PEC

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 9	\$ 8	\$ 2	\$ 3
Interest cost	32	31	8	9
Expected return on plan assets	(38)	(34)	(1)	(2)
Amortization of actuarial loss	8	4	-	1
Other amortization, net	3	3	1	1
Net periodic cost	\$ 14	\$ 12	\$ 10	\$ 12

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 10	\$ 9	\$ 1	\$ 1
Interest cost	29	28	6	7
Expected return on plan assets	(34)	(29)	(1)	(1)
Amortization of actuarial loss	15	18	-	1
Other amortization, net	-	-	2	2
Net periodic cost before deferral ^(a)	\$ 20	\$ 26	\$ 8	\$ 10

^(a) PEF received permission from the FPSC to defer the retail portion of certain 2009 pension expense. The FPSC order did not change the total net periodic pension cost, but deferred a portion of the costs to be recovered in future periods. For the six months ended June 30, 2009, PEF deferred \$16 million of net periodic pension costs as a regulatory asset. See Notes 7C and 16A in the 2009 Form 10-K.

In 2010, contributions directly to pension plan assets are expected to approximate \$129 million for us, including \$95 million for PEC and \$34 million for PEF. We contributed \$13 million during the six months ended June 30, 2010, including \$7 million for PEC and \$6 million for PEF.

The Patient Protection and Affordable Care Act (PPACA) and the related Health Care and Education Reconciliation Act, which made various amendments to the PPACA, were enacted in March 2010. The PPACA contains a provision that changes the tax treatment related to a federal subsidy available to sponsors of retiree health benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the benefits under Medicare Part D. The subsidy is known as the Retiree Drug Subsidy (RDS). Employers are not currently taxed on the RDS payments they receive. However, as a result of the PPACA as amended, RDS payments will effectively become taxable in tax years beginning after December 31, 2012, by requiring the amount of the subsidy received to be offset against the employer's deduction for health care expenses. Under GAAP, changes in tax law are accounted for in the period of enactment. Accordingly, an additional tax expense of \$22 million for us, \$12 million for PEC and \$10 million for PEF has been recognized during the six months ended June 30, 2010.

We are still evaluating the additional impacts of the PPACA as amended; however, we do not expect the changes to have a significant impact on the benefit obligations we have recorded.

9. RISK MANAGEMENT ACTIVITIES AND DERIVATIVE TRANSACTIONS

We are exposed to various risks related to changes in market conditions. We have a risk management committee that includes senior executives from various business groups. The risk management committee is responsible for administering risk management policies and monitoring compliance with those policies by all subsidiaries. Under our risk policy, we may use a variety of instruments, including swaps, options and forward contracts, to manage exposure to fluctuations in commodity prices and interest rates. Such instruments contain credit risk if the counterparty fails to perform under the contract. We minimize such risk by performing credit and financial reviews using a combination of financial analysis and publicly available credit ratings of such counterparties. Potential nonperformance by counterparties is not expected to have a material effect on our financial position or results of operations.

A. COMMODITY DERIVATIVES

GENERAL

Most of our physical commodity contracts are not derivatives or qualify as normal purchases or sales. Therefore, such contracts are not recorded at fair value.

ECONOMIC DERIVATIVES

Derivative products, primarily natural gas and oil contracts, may be entered into from time to time for economic hedging purposes. While management believes the economic hedges mitigate exposures to fluctuations in commodity prices, these instruments are not designated as hedges for accounting purposes and are monitored consistent with trading positions.

The Utilities have financial derivative instruments with settlement dates through 2015 related to their exposure to price fluctuations on fuel oil and natural gas purchases. The majority of our financial hedge agreements will settle in 2010 and 2011. Substantially all of these instruments receive regulatory accounting treatment. Related unrealized gains and losses are recorded in regulatory liabilities and regulatory assets, respectively, on the Balance Sheets until the contracts are settled. After settlement of the derivatives and the fuel is consumed, any realized gains or losses are passed through the fuel cost-recovery clause.

Certain hedge agreements may result in the receipt of, or posting of, derivative collateral with our counterparties, depending on the daily derivative position. Fluctuations in commodity prices that lead to our return of collateral received and/or our posting of collateral with our counterparties negatively impact our liquidity. We manage open positions with strict policies that limit our exposure to market risk and require daily reporting to management of potential financial exposures.

Certain counterparties have posted or held cash collateral in support of these instruments. Progress Energy had a cash collateral asset included in derivative collateral posted of \$194 million and \$146 million on the Progress Energy Consolidated Balance Sheets at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010, Progress Energy had 244.0 million MMBtu notional of natural gas and 32.3 million gallons notional of oil related to outstanding commodity derivative swaps that were entered into to hedge forecasted oil and natural gas purchases.

PEC had a cash collateral asset included in prepayments and other current assets of \$20 million and \$7 million on the PEC Consolidated Balance Sheets at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010, PEC had 50.4 million MMBtu notional of natural gas related to outstanding commodity derivative swaps that were entered into to hedge forecasted natural gas purchases.

PEF's cash collateral asset included in derivative collateral posted was \$174 million and \$139 million on the PEF Balance Sheets at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010, PEF had 193.6 million MMBtu notional of natural gas and 32.3 million gallons notional of oil related to outstanding commodity derivative swaps that were entered into to hedge forecasted oil and natural gas purchases.

CASH FLOW HEDGES

The Utilities designate a portion of commodity derivative instruments as cash flow hedges. From time to time we hedge exposure to market risk associated with fluctuations in the price of power for our forecasted sales. Realized gains and losses are recorded net in operating revenues. We also hedge exposure to market risk associated with fluctuations in the price of fuel for fleet vehicles. At June 30, 2010, we had 1.2 million gallons notional of gasoline, of which there was 0.6 million gallons each at PEC and PEF, and 1.2 million gallons notional of diesel, of which there was 0.6 million gallons each at PEC and PEF related to outstanding commodity derivative swaps that were entered into to hedge forecasted gasoline and diesel purchases. Realized gains and losses are recorded net as part of fleet vehicle fuel costs. At June 30, 2010 and December 31, 2009, neither we nor the Utilities had material outstanding positions in such contracts. The ineffective portion of commodity cash flow hedges was not material to our or the Utilities' results of operations for the three and six months ended June 30, 2010 and 2009.

At June 30, 2010 and December 31, 2009, the amount recorded in our or the Utilities' accumulated other comprehensive income related to commodity cash flow hedges was not material.

B. INTEREST RATE DERIVATIVES – FAIR VALUE OR CASH FLOW HEDGES

We use cash flow hedging strategies to reduce exposure to changes in cash flow due to fluctuating interest rates. We use fair value hedging strategies to reduce exposure to changes in fair value due to interest rate changes. Our cash flow hedging strategies are primarily accomplished through the use of forward starting swaps and our fair value hedging strategies are primarily accomplished through the use of fixed-to-floating swaps. The notional amounts of interest rate derivatives are not exchanged and do not represent exposure to credit loss. In the event of default by the counterparty, the exposure in these transactions is the cost of replacing the agreements at current market rates.

CASH FLOW HEDGES

At June 30, 2010, all open interest rate hedges will reach their mandatory termination dates within three and a half years. At June 30, 2010, including amounts related to terminated hedges, we had \$81 million of after-tax losses, including \$41 million and \$7 million of after-tax losses at PEC and PEF, respectively, recorded in accumulated other comprehensive income related to forward starting swaps. It is expected that in the next twelve months losses of \$7 million, net of tax, primarily related to terminated hedges, will be reclassified to interest expense at Progress Energy, including \$4 million at PEC. The actual amounts that will be reclassified to earnings may vary from the expected amounts as a result of changes in interest rates and changes in the timing of debt issuances at the Parent and the Utilities and changes in market value of currently open forward starting swaps.

At December 31, 2009, including amounts related to terminated hedges, we had \$35 million of after-tax losses, including \$27 million of after-tax losses at PEC and \$3 million of after-tax gains at PEF, recorded in accumulated other comprehensive income related to forward starting swaps.

At December 31, 2009, Progress Energy had \$325 million notional of open forward starting swaps, including \$100 million at PEC and \$75 million at PEF. At June 30, 2010, Progress Energy had \$1.050 billion notional of open forward starting swaps, including \$350 million at PEC and \$200 million at PEF.

FAIR VALUE HEDGES

For interest rate fair value hedges, the change in the fair value of the hedging derivative is recorded in net interest charges and is offset by the change in the fair value of the hedged item. At June 30, 2010, and December 31, 2009, neither we nor the Utilities had any outstanding positions in such contracts.

C. CONTINGENT FEATURES

Certain of our derivative instruments contain provisions defining fair value thresholds requiring the posting of collateral for hedges in a liability position greater than such threshold amounts. The thresholds are tiered and based on the individual company's credit rating with Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P) and Fitch Ratings (Fitch). Higher credit ratings have a higher threshold requiring a lower amount of the outstanding liability position to be covered by posted collateral. Conversely, lower credit ratings require a higher amount of the outstanding liability position to be covered by posted collateral. If our credit ratings were to be downgraded, we may have to post additional collateral on certain hedges in liability positions.

In addition, certain of our derivative instruments contain provisions that require our debt to maintain an investment grade credit rating from Moody's, S&P and Fitch. If our debt were to fall below investment grade, we would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

The aggregate fair value of all derivative instruments at Progress Energy with credit risk-related contingent features that are in a net liability position at June 30, 2010 is \$492 million, for which Progress Energy has posted collateral of \$194 million in the normal course of business. If the credit risk-related contingent features underlying these agreements were triggered at June 30, 2010, Progress Energy would have been required to post an additional \$298 million of collateral with its counterparties.

The aggregate fair value of all derivative instruments at PEC with credit risk-related contingent features that are in a liability position at June 30, 2010 is \$116 million, for which PEC has posted collateral of \$20 million in the normal course of business. If the credit risk-related contingent features underlying these agreements were triggered at June 30, 2010, PEC would have been required to post an additional \$96 million of collateral with its counterparties.

The aggregate fair value of all derivative instruments at PEF with credit risk-related contingent features that are in a net liability position at June 30, 2010 is \$376 million, for which PEF has posted collateral of \$174 million in the normal course of business. If the credit risk-related contingent features underlying these agreements were triggered on June 30, 2010, PEF would have been required to post an additional \$202 million of collateral with its counterparties.

D. DERIVATIVE INSTRUMENT AND HEDGING ACTIVITY INFORMATION

PROGRESS ENERGY

The following table presents the fair value of derivative instruments at June 30, 2010 and December 31, 2009:

Instrument / Balance sheet location (in millions)	June 30, 2010		December 31, 2009	
	Asset	Liability	Asset	Liability
Derivatives designated as hedging instruments				
Interest rate derivatives				
Prepayments and other current assets	\$ -		\$ 5	
Other assets and deferred debits	1		14	
Derivative liabilities, current		\$ 32		\$ -
Derivative liabilities, long-term		31		-
Total derivatives designated as hedging instruments	1	63	19	-
Derivatives not designated as hedging instruments				
Commodity derivatives ^(a)				
Prepayments and other current assets	9		11	
Other assets and deferred debits	5		9	
Derivative liabilities, current		217		189
Derivative liabilities, long-term		289		236
CVOs ^(b)				
Other liabilities and deferred credits		15		15
Fair value of derivatives not designated as hedging instruments	14	521	20	440
Fair value loss transition adjustment ^(c)				
Derivative liabilities, current		1		1
Derivative liabilities, long-term		4		4
Total derivatives not designated as hedging instruments	14	526	20	445
Total derivatives	\$ 15	\$ 589	\$ 39	\$ 445

^(a) Substantially all of these contracts receive regulatory treatment.

^(b) As discussed in Note 15 of the 2009 Form 10-K, the Parent issued 98.6 million CVOs in connection with the acquisition of Florida Progress during 2000.

^(c) In 2003, PEC recorded a \$38 million pre-tax (\$23 million after-tax) fair value loss transition adjustment pursuant to the adoption of new accounting guidance for derivatives. The related liability is being amortized to earnings over the term of the related contracts.

The following tables present the effect of derivative instruments on other comprehensive income (OCI) (See Note 4C) and the Consolidated Statements of Income for the three months ended June 30, 2010 and 2009:

Derivatives Designated as Hedging Instruments for the Three Months Ended June 30,

Instrument (in millions)	Amount of Gain or (Loss) Recognized in OCI, Net of Tax on Derivatives ^(a)		Amount of Gain or (Loss), Net of Tax Reclassified from Accumulated OCI into Income ^(a)		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives ^(b)	
	2010	2009	2010	2009	2010	2009
Interest rate derivatives ^{(c) (d)}	\$ (44)	\$ 8	\$ (2)	\$ (2)	\$ -	\$ -

^(a) Effective portion.

^(b) Related to ineffective portion and amount excluded from effectiveness testing.

^(c) Amounts in accumulated OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

^(d) Amounts recorded in the Consolidated Statements of Income are classified in interest charges.

Derivatives Not Designated as Hedging Instruments for the Three Months Ended June 30,

Instrument (in millions)	Realized Gain or (Loss) ^(a)		Unrealized Gain or (Loss) ^(b)	
	2010	2009	2010	2009
Commodity derivatives ^(a)	\$ (91)	\$ (185)	\$ (2)	\$ 77

^(a) After settlement of the derivatives and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

^(b) Amounts are recorded in regulatory liabilities and assets, respectively, on the Consolidated Balance Sheets until derivatives are settled.

Instrument (in millions)	Amount of Gain or (Loss) Recognized in Income on Derivatives	
	2010	2009
Commodity derivatives ^(a)	\$ 1	\$ 1
Fair value loss transition adjustment ^(a)	-	1
CVOs ^(a)	-	1
Total	\$ 1	\$ 3

^(a) Amounts recorded in the Consolidated Statements of Income are classified in other, net.

The following tables present the effect of derivative instruments on OCI (See Note 4C) and the Consolidated Statements of Income for the six months ended June 30, 2010 and 2009:

Derivatives Designated as Hedging Instruments for the Six Months Ended June 30,

Instrument (in millions)	Amount of Gain or (Loss) Recognized in OCI, Net of Tax on Derivatives ^(a)		Amount of Gain or (Loss), Net of Tax Reclassified from Accumulated OCI into Income ^(a)		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives ^(b)	
	2010	2009	2010	2009	2010	2009
Commodity cash flow derivatives	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -
Interest rate derivatives ^{(c) (d)}	(50)	13	(3)	(3)	-	(3)
Total	\$ (50)	\$ 14	\$ (3)	\$ (3)	\$ -	\$ (3)

^(a) Effective portion.

^(b) Related to ineffective portion and amount excluded from effectiveness testing.

^(c) Amounts in accumulated OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

^(d) Amounts recorded in the Consolidated Statements of Income are classified in interest charges.

Derivatives Not Designated as Hedging Instruments for the Six Months Ended June 30,

Instrument (in millions)	Realized Gain or (Loss) ^(a)		Unrealized Gain or (Loss) ^(b)	
	2010	2009	2010	2009
Commodity derivatives ^(a)	\$ (150)	\$ (312)	\$ (236)	\$ (264)

^(a) After settlement of the derivatives and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

^(b) Amounts are recorded in regulatory liabilities and assets, respectively, on the Consolidated Balance Sheets until derivatives are settled.

Instrument (in millions)	Amount of Gain or (Loss) Recognized in Income on Derivatives	
	2010	2009
Fair value loss transition adjustment ^(a)	\$ -	\$ 1
CVOs ^(a)	-	8
Total	\$ -	\$ 9

^(a) Amounts recorded in the Consolidated Statements of Income are classified in other, net.

PEC

The following table presents the fair value of derivative instruments at June 30, 2010 and December 31, 2009:

Instrument / Balance sheet location (in millions)	June 30, 2010		December 31, 2009	
	Asset	Liability	Asset	Liability
Derivatives designated as hedging instruments				
Interest rate derivatives				
Other assets and deferred debits	\$ 1		\$ 8	
Derivative liabilities, current		\$ 9		\$ -
Other liabilities and deferred credits		11		-
Total derivatives designated as hedging instruments	1	20	8	-
Derivatives not designated as hedging instruments				
Commodity derivatives ^(a)				
Derivative liabilities, current		38		28
Other liabilities and deferred credits		78		62
Fair value of derivatives not designated as hedging instruments	-	116	-	90
Fair value loss transition adjustment ^(b)				
Derivative liabilities, current		1		1
Other liabilities and deferred credits		4		4
Total derivatives not designated as hedging instruments	-	121	-	95
Total derivatives	\$ 1	\$ 141	\$ 8	\$ 95

^(a) Substantially all of these contracts receive regulatory treatment.

^(b) In 2003, PEC recorded a \$38 million pre-tax (\$23 million after-tax) fair value loss transition adjustment pursuant to the adoption of new accounting guidance for derivatives. The related liability is being amortized to earnings over the term of the related contracts.

The following tables present the effect of derivative instruments on OCI (See Note 4C) and the Consolidated Statements of Income for the three months ended June 30, 2010 and 2009:

Derivatives Designated as Hedging Instruments for the Three Months Ended June 30,						
Instrument (in millions)	Amount of Gain or (Loss) Recognized in OCI, Net of Tax on Derivatives ^(a)		Amount of Gain or (Loss), Net of Tax Reclassified from Accumulated OCI into Income ^(a)		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives ^(b)	
	2010	2009	2010	2009	2010	2009
Interest rate derivatives ^{(c) (d)}	\$ (15)	\$ 2	\$ (1)	\$ (2)	\$ -	\$ -

^(a) Effective portion.

^(b) Related to ineffective portion and amount excluded from effectiveness testing.

^(c) Amounts in accumulated OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

^(d) Amounts recorded in the Consolidated Statements of Income are classified in interest charges.

Derivatives Not Designated as Hedging Instruments for the Three Months Ended June 30,

Instrument (in millions)	Realized Gain or (Loss) ^(a)		Unrealized Gain or (Loss) ^(b)	
	2010	2009	2010	2009
Commodity derivatives	\$ (12)	\$ (21)	\$ (2)	\$ 7

- (a) After settlement of the derivatives and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.
- (b) Amounts are recorded in regulatory liabilities and assets, respectively, on the Consolidated Balance Sheets until derivatives are settled.

Instrument (in millions)	Amount of Gain or (Loss) Recognized in Income on Derivatives	
	2010	2009
Commodity derivatives ^(a)	\$ 1	\$ 1
Fair value loss transition adjustment ^(a)	-	1
Total	\$ 1	\$ 2

- (a) Amounts recorded in the Consolidated Statements of Income are classified in other, net.

The following tables present the effect of derivative instruments on OCI (See Note 4C) and the Consolidated Statements of Income for the six months ended June 30, 2010 and 2009:

Derivatives Designated as Hedging Instruments for the Six Months Ended June 30,

Instrument (in millions)	Amount of Gain or (Loss) Recognized in OCI, Net of Tax on Derivatives ^(a)		Amount of Gain or (Loss), Net of Tax Reclassified from Accumulated OCI into Income ^(a)		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives ^(b)	
	2010	2009	2010	2009	2010	2009
Interest rate derivatives ^{(c) (d)}	\$ (16)	\$ 2	\$ (2)	\$ (2)	\$ -	\$ (2)

- (a) Effective portion.
- (b) Related to ineffective portion and amount excluded from effectiveness testing.
- (c) Amounts in accumulated OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.
- (d) Amounts recorded in the Consolidated Statements of Income are classified in interest charges.

Derivatives Not Designated as Hedging Instruments for the Six Months Ended June 30,

Instrument (in millions)	Realized Gain or (Loss) ^(a)		Unrealized Gain or (Loss) ^(b)	
	2010	2009	2010	2009
Commodity derivatives	\$ (19)	\$ (39)	\$ (44)	\$ (40)

- (a) After settlement of the derivatives and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.
- (b) Amounts are recorded in regulatory liabilities and assets, respectively, on the Consolidated Balance Sheets until derivatives are settled.

Instrument (in millions)	Amount of Gain or (Loss) Recognized in Income on Derivatives	
	2010	2009
Fair value loss transition adjustment ^(a)	\$ -	\$ 1

^(a) Amounts recorded in the Consolidated Statements of Income are classified in other, net.

PEF

The following table presents the fair value of derivative instruments at June 30, 2010 and December 31, 2009:

Instrument / Balance sheet location (in millions)	June 30, 2010		December 31, 2009	
	Asset	Liability	Asset	Liability
Derivatives designated as hedging instruments				
Interest rate derivatives				
Prepayments and other current assets	\$ -		\$ 5	
Derivative liabilities, long-term		\$ 12		\$ -
Total derivatives designated as hedging instruments	-	12	5	-
Derivatives not designated as hedging instruments				
Commodity derivatives ^(a)				
Prepayments and other current assets	9		11	
Other assets and deferred debits	5		9	
Derivative liabilities, current		179		161
Derivative liabilities, long-term		211		174
Total derivatives not designated as hedging instruments	14	390	20	335
Total derivatives	\$ 14	\$ 402	\$ 25	\$ 335

^(a) Substantially all of these contracts receive regulatory treatment.

The following tables present the effect of derivative instruments on OCI (See Note 4C) and the Statements of Income for the three months ended June 30, 2010 and 2009:

Derivatives Designated as Hedging Instruments for the Three Months Ended June 30,						
Instrument (in millions)	Amount of Gain or (Loss) Recognized in OCI, Net of Tax on Derivatives ^(a)		Amount of Gain or (Loss), Net of Tax Reclassified from Accumulated OCI into Income ^(a)		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives ^(b)	
	2010	2009	2010	2009	2010	2009
Interest rate derivatives ^{(c) (d)}	\$ (7)	\$ 3	\$ -	\$ -	\$ -	\$ -

^(a) Effective portion.

^(b) Related to ineffective portion and amount excluded from effectiveness testing.

^(c) Amounts in accumulated OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

^(d) Amounts recorded in the Statements of Income are classified in interest charges.

Derivatives Not Designated as Hedging Instruments for the Three Months Ended June 30,

Instrument (in millions)	Realized Gain or (Loss) ^(a)		Unrealized Gain or (Loss) ^(b)	
	2010	2009	2010	2009
Commodity derivatives	\$ (79)	\$ (164)	\$ -	\$ 70

^(a) After settlement of the derivatives and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

^(b) Amounts are recorded in regulatory liabilities and assets, respectively, on the Balance Sheets until derivatives are settled.

The following tables present the effect of derivative instruments on OCI (See Note 4C) and the Statements of Income for the six months ended June 30, 2010 and 2009:

Derivatives Designated as Hedging Instruments for the Six Months Ended June 30,

Instrument (in millions)	Amount of Gain or (Loss) Recognized in OCI, Net of Tax on Derivatives ^(a)		Amount of Gain or (Loss), Net of Tax Reclassified from Accumulated OCI into Income ^(a)		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives ^(b)	
	2010	2009	2010	2009	2010	2009
Interest rate derivatives ^{(c) (d)}	\$ (10)	\$ 3	\$ -	\$ -	\$ -	\$ -

^(a) Effective portion.

^(b) Related to ineffective portion and amount excluded from effectiveness testing.

^(c) Amounts in accumulated OCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

^(d) Amounts recorded in the Consolidated Statements of Income are classified in interest charges.

Derivatives Not Designated as Hedging Instruments for the Six Months Ended June 30,

Instrument (in millions)	Realized Gain or (Loss) ^(a)		Unrealized Gain or (Loss) ^(b)	
	2010	2009	2010	2009
Commodity derivatives	\$ (131)	\$ (273)	\$ (192)	\$ (224)

^(a) After settlement of the derivatives and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

^(b) Amounts are recorded in regulatory liabilities and assets, respectively, on the Balance Sheets until derivatives are settled.

10. FINANCIAL INFORMATION BY BUSINESS SEGMENT

Our reportable segments are PEC and PEF, both of which are primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina and in portions of Florida, respectively. These electric operations also distribute and sell electricity to other utilities, primarily on the east coast of the United States.

In addition to the reportable operating segments, the Corporate and Other segment includes the operations of the Parent and PESC and other miscellaneous nonregulated businesses that do not separately meet the quantitative thresholds for disclosure as separate reportable business segments.

Products and services are sold between the various reportable segments. All intersegment transactions are at cost.

(in millions)	PEC	PEF	Corporate and Other	Eliminations	Totals
At and for the three months ended June 30, 2010					
Revenues					
Unaffiliated	\$ 1,117	\$ 1,252	\$ 3	\$ -	\$ 2,372
Intersegment	-	-	53	(53)	-
Total revenues	1,117	1,252	56	(53)	2,372
Ongoing Earnings (loss)	112	119	(50)	-	181
Assets	13,966	13,693	20,690	(16,212)	32,137

For the three months ended June 30, 2009

Revenues					
Unaffiliated	\$ 1,076	\$ 1,234	\$ 2	\$ -	\$ 2,312
Intersegment	-	-	55	(55)	-
Total revenues	1,076	1,234	57	(55)	2,312
Ongoing Earnings (loss)	94	121	(34)	-	181

At and for the six months ended June 30, 2010

Revenues					
Unaffiliated	\$ 2,380	\$ 2,522	\$ 5	\$ -	\$ 4,907
Intersegment	-	-	114	(114)	-
Total revenues	2,380	2,522	119	(114)	4,907
Ongoing Earnings (loss)	260	232	(97)	-	395
Assets	13,966	13,693	20,690	(16,212)	32,137

For the six months ended June 30, 2009

Revenues					
Unaffiliated	\$ 2,254	\$ 2,496	\$ 4	\$ -	\$ 4,754
Intersegment	-	-	120	(120)	-
Total revenues	2,254	2,496	124	(120)	4,754
Ongoing Earnings (loss)	223	212	(72)	-	363

Management uses the non-GAAP financial measure “Ongoing Earnings” as a performance measure to evaluate the results of our segments and operations. Ongoing Earnings is computed as GAAP net income attributable to controlling interests after excluding discontinued operations and the effects of certain identified gains and charges, which are considered Ongoing Earnings adjustments. Some of the excluded gains and charges have occurred in more than one reporting period but are not considered representative of fundamental core earnings. Management has identified the following Ongoing Earnings adjustments: tax levelization, which increases or decreases the tax expense recorded in the reporting period to reflect the annual projected tax rate, because it has no impact on annual earnings; CVO mark-to-market adjustments because we are unable to predict changes in their fair value; and the

impact from changes in the tax treatment of the Medicare Part D subsidy because GAAP requires that the impact of the tax law change be accounted for in the period of enactment rather than the affected tax year. Additionally, management has determined that impairments, charges (and subsequent adjustments, if any) recognized for the retirement of generating units prior to the end of their estimated useful lives and operating results of discontinued operations are not representative of our ongoing operations and should be excluded in computing Ongoing Earnings.

Reconciliations of consolidated Ongoing Earnings to net income attributable to controlling interests follow:

(in millions)	For the three months ended June 30,	
	2010	2009
Ongoing Earnings	\$ 181	\$ 181
Tax levelization	-	(5)
CVO mark-to-market (Note 9D)	-	1
Impairment, net of tax benefit of \$1	(1)	(2)
Plant retirement adjustment, net of tax expense of \$-	1	-
Income from continuing operations before cumulative effect of change in accounting principle	181	175
Discontinued operations, net of tax	(1)	(1)
Net income attributable to controlling interests	\$ 180	\$ 174

(in millions)	For the six months ended June 30,	
	2010	2009
Ongoing Earnings	\$ 395	\$ 363
Tax levelization	(2)	(12)
CVO mark-to-market (Note 9D)	-	8
Impairment, net of tax benefit of \$1	(2)	(2)
Plant retirement adjustment, net of tax expense of \$1	1	-
Change in tax treatment of the Medicare Part D subsidy (Note 8)	(22)	-
Continuing income attributable to noncontrolling interests, net of tax	2	1
Income from continuing operations before cumulative effect of change in accounting principle	372	358
Discontinued operations, net of tax	-	(1)
Cumulative effect of change in accounting principle, net of tax	(2)	-
Net income attributable to noncontrolling interests, net of tax	-	(1)
Net income attributable to controlling interests	\$ 370	\$ 356

11. OTHER INCOME AND OTHER EXPENSE

Other income and expense includes interest income and other income and expense items as discussed below. Nonregulated energy and delivery services include power protection services and mass market programs such as surge protection, appliance services and area light sales, and delivery, transmission and substation work for other utilities. The components of other, net as shown on the accompanying Statements of Income were as follows:

PROGRESS ENERGY

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2010	2009	2010	2009
Nonregulated energy and delivery services income, net	\$ 8	\$ 8	\$ 7	\$ 9
CVOs unrealized gain, net	-	1	-	8
Donations	(2)	(2)	(6)	(5)
Other, net	(1)	6	(1)	-
Other, net	\$ 5	\$ 13	\$ -	\$ 12

PEC

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2010	2009	2010	2009
Nonregulated energy and delivery services income, net	\$ 6	\$ 6	\$ 2	\$ 4
Donations	(1)	(2)	(3)	(3)
Other, net	(1)	-	(2)	(4)
Other, net	\$ 4	\$ 4	\$ (3)	\$ (3)

PEF

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2010	2009	2010	2009
Nonregulated energy and delivery services income, net	\$ 2	\$ 3	\$ 5	\$ 6
Donations	(1)	(1)	(2)	(3)
Other, net	-	5	-	4
Other, net	\$ 1	\$ 7	\$ 3	\$ 7

12. ENVIRONMENTAL MATTERS

We are subject to regulation by various federal, state and local authorities in the areas of air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters. We believe that we are in substantial compliance with those environmental regulations currently applicable to our business and operations and believe we have all necessary permits to conduct such operations. Environmental laws and regulations frequently change and the ultimate costs of compliance cannot always be precisely estimated.

A. HAZARDOUS AND SOLID WASTE

The provisions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), authorize the United States Environmental Protection Agency (EPA) to require the cleanup of hazardous waste sites. This statute imposes retroactive joint and several liabilities. Some states, including North Carolina, South Carolina and Florida, have similar types of statutes. We are periodically notified by regulators, including the EPA and various state agencies, of our involvement or potential involvement in sites that may require investigation and/or remediation. There are presently several sites with respect to which we have been notified of

our potential liability by the EPA, the state of North Carolina, the state of Florida, or potentially responsible party (PRP) groups as described below in greater detail. Various organic materials associated with the production of manufactured gas, generally referred to as coal tar, are regulated under federal and state laws. PEC and PEF are each PRPs at several manufactured gas plant (MGP) sites. We are also currently in the process of assessing potential costs and exposures at other sites. These costs are eligible for regulatory recovery through either base rates or cost-recovery clauses. Both PEC and PEF evaluate potential claims against other PRPs and insurance carriers and plan to submit claims for cost recovery where appropriate. The outcome of potential and pending claims cannot be predicted. A discussion of sites by legal entity follows.

We measure our liability for environmental sites based on available evidence, including our experience in investigating and remediating environmentally impaired sites. The process often involves assessing and developing cost-sharing arrangements with other PRPs. For all sites, as assessments are developed and analyzed, we will accrue costs for the sites to the extent our liability is probable and the costs can be reasonably estimated. Because the extent of environmental impact, allocation among PRPs for all sites, remediation alternatives (which could involve either minimal or significant efforts), and concurrence of the regulatory authorities have not yet reached the stage where a reasonable estimate of the remediation costs can be made, we cannot determine the total costs that may be incurred in connection with the remediation of all sites at this time. It is probable that current estimates will change and additional losses, which could be material, may be incurred in the future.

The following tables contain information about accruals for probable and estimable costs related to various environmental sites, which were included in other current liabilities and other liabilities and deferred credits on the Balance Sheets:

PROGRESS ENERGY

(in millions)	MGP and Other Sites		Remediation of Distribution and Substation Transformers		Total
Balance, December 31, 2009	\$	22	\$	20	\$ 42
Amount accrued for environmental loss contingencies^(a)		4		10	14
Expenditures for environmental loss contingencies^(b)		(7)		(9)	(16)
Balance, June 30, 2010^(c)	\$	19	\$	21	\$ 40
Balance, December 31, 2008	\$	31	\$	22	\$ 53
Amount accrued for environmental loss contingencies ^(a)		4		2	6
Expenditures for environmental loss contingencies ^(b)		(6)		(7)	(13)
Balance, June 30, 2009 ^(c)	\$	29	\$	17	\$ 46

^(a) Amounts accrued are for the six months ended June 30, 2010 and 2009. For the three months ended June 30, 2010, we accrued \$2 million for the remediation of MGP and other sites and \$8 million for the remediation of distribution and substation transformers. For the three months ended June 30, 2009, our accruals for the remediation of MGP and other sites and for the remediation of distribution and substation transformers were not material.

^(b) Expenditures are for the six months ended June 30, 2010 and 2009. For the three months ended June 30, 2010, we spent \$5 million for the remediation of MGP and other sites and \$5 million for the remediation of distribution and substation transformers. For the three months ended June 30, 2009 our expenditures for the remediation of MGP and other sites and for the remediation of distribution and substation transformers were not material.

^(c) Expected to be paid out over one to 15 years.

PEC

(in millions)	MGP and Other Sites
Balance, December 31, 2009	\$ 13
Amount accrued for environmental loss contingencies^(a)	2
Expenditures for environmental loss contingencies^(b)	(3)
Balance, June 30, 2010^(c)	\$ 12
Balance, December 31, 2008	\$ 16
Amount accrued for environmental loss contingencies ^(a)	4
Expenditures for environmental loss contingencies ^(b)	(4)
Balance, June 30, 2009 ^(c)	\$ 16

(a) Amounts accrued are for the six months ended June 30, 2010 and 2009. For the three months ended June 30, 2010 and 2009, PEC's accruals for the remediation of MGP and other sites were not material.

(b) Expenditures are for the six months ended June 30, 2010 and 2009. For the three months ended June 30, 2010 and 2009, PEC's expenditures for the remediation of MGP and other sites were not material.

(c) Expected to be paid out over one to five years.

PEF

(in millions)	MGP and Other Sites	Remediation of Distribution and Substation Transformers	Total
Balance, December 31, 2009	\$ 9	\$ 20	\$ 29
Amount accrued for environmental loss contingencies^(a)	2	10	12
Expenditures for environmental loss contingencies^(b)	(4)	(9)	(13)
Balance, June 30, 2010^(c)	\$ 7	\$ 21	\$ 28
Balance, December 31, 2008	\$ 15	\$ 22	\$ 37
Amount accrued for environmental loss contingencies ^(a)	-	2	2
Expenditures for environmental loss contingencies ^(b)	(2)	(7)	(9)
Balance, June 30, 2009 ^(c)	\$ 13	\$ 17	\$ 30

(a) Amounts accrued are for the six months ended June 30, 2010 and 2009. For the three months ended June 30, 2010, PEF accrued \$2 million for the remediation of MGP and other sites and \$8 million for the remediation of distribution and substation transformers. For the three months ended June 30, 2009, PEF's accruals for the remediation of MGP and other sites and for the remediation of distribution and substation transformers were not material.

(b) Expenditures are for the six months ended June 30, 2010 and 2009. For the three months ended June 30, 2010, PEF spent \$4 million for the remediation of MGP and other sites and \$5 million for the remediation of distribution and substation transformers. For the three months ended June 30, 2009, PEF's expenditures for the remediation of MGP and other sites and for the remediation of distribution and substation transformers were not material.

(c) Expected to be paid out over one to 15 years.

PROGRESS ENERGY

In addition to PEC's Ward Transformer site located in Raleigh, N.C. (Ward), PEF's distribution and substation transformers sites, and the Utilities' MGP sites discussed below, we incurred indemnity obligations related to certain pre-closing liabilities of divested subsidiaries, including certain environmental matters (See discussion under Guarantees in Note 13B).

PEC

PEC has recorded a minimum estimated total remediation cost for all of its remaining MGP sites based upon its historical experience with remediation of several of its MGP sites. The maximum amount of the range for all the sites cannot be determined at this time. Actual experience may differ from current estimates, and it is probable that estimates will continue to change in the future.

In 2004, the EPA advised PEC that it had been identified as a PRP at the Ward site. The EPA offered PEC and a number of other PRPs the opportunity to negotiate the removal action for the Ward site and reimbursement to the EPA for the EPA's past expenditures in addressing conditions at the Ward site. Subsequently, PEC and other PRPs signed a settlement agreement, which requires the participating PRPs to remediate the Ward site. At June 30, 2010 and December 31, 2009, PEC's recorded liability for the site was approximately \$5 million and \$4 million, respectively. In 2008 and 2009, PEC filed civil actions against PRPs seeking contribution for and recovery of costs incurred in remediating the Ward site, as well as a declaratory judgment that defendants are jointly and severally liable for response costs at the site. PEC has settled with a number of the PRPs and is in active settlement negotiations with others. On March 24, 2010, the federal district court in which this matter is pending denied motions to dismiss filed by a number of defendants, but granted several other motions filed by state agencies and successor entities. The court also set a trial date for May 7, 2012. On June 15, 2010, the court entered a case management order and discovery is proceeding. The outcome of these matters cannot be predicted.

On September 30, 2008, the EPA issued a Record of Decision for the operable unit for stream segments downstream from the Ward site (Ward OU1) and advised 61 parties, including PEC, of their identification as PRPs for Ward OU1 and for the operable unit for further investigation at the Ward facility and certain adjacent areas (Ward OU2). The EPA's estimate for the selected remedy for Ward OU1 is approximately \$6 million. The EPA offered PEC and the other PRPs the opportunity to negotiate implementation of a response action for Ward OU1 and a remedial investigation and feasibility study for Ward OU2, as well as reimbursement to the EPA of approximately \$1 million for the EPA's past expenditures in addressing conditions at the site. On January 19, 2009, PEC and several of the other participating PRPs at the Ward site submitted a letter containing a good faith response to the EPA's special notice letter. Another group of PRPs separately submitted a good faith response, which the EPA advised would be used to negotiate implementation of the required actions. The other PRPs' good faith response was subsequently withdrawn. Discussions among representatives of certain PRPs, including PEC, and the EPA are ongoing. Although a loss is considered probable, an agreement among the PRPs for these matters has not been reached; consequently, it is not possible at this time to reasonably estimate the total amount of PEC's obligation, if any, for Ward OU1 and Ward OU2.

PEF

The accruals for PEF's MGP and other sites relate to two former MGP sites and other sites associated with PEF that have required, or are anticipated to require, investigation and/or remediation. The maximum amount of the range for all the sites cannot be determined at this time. Actual experience may differ from current estimates, and it is probable that estimates will continue to change in the future.

PEF has received approval from the FPSC for recovery through the Environmental Cost Recovery Clause (ECRC) of the majority of costs associated with the remediation of distribution and substation transformers. Under agreements with the Florida Department of Environmental Protection (FDEP), PEF has reviewed all distribution transformer sites and all substation sites for mineral oil-impacted soil caused by equipment integrity issues. Should additional distribution transformer sites be identified outside of this population, the distribution O&M costs will not be recoverable through the ECRC. At June 30, 2010 and December 31, 2009, PEF has recorded a regulatory asset for the probable recovery of costs through the ECRC related to the sites included under the agreement with the FDEP.

B. AIR AND WATER QUALITY

At June 30, 2010 and December 31, 2009, we were subject to various current federal, state and local environmental compliance laws and regulations governing air and water quality, resulting in capital expenditures and increased O&M expenses. These compliance laws and regulations included the Clean Air Interstate Rule (CAIR), the Clean Air Visibility Rule (CAVR), the Clean Smokestacks Act and mercury regulation. PEC's and PEF's environmental compliance capital expenditures related to these regulations began in 2002 and 2005, respectively. PEC's environmental compliance projects under the first phase of Clean Smokestacks Act emission reductions have been placed in service. PEF's CAIR projects have been placed in service.

On July 11, 2008, the U.S. Court of Appeals for the District of Columbia (D.C. Court of Appeals) issued its decision on multiple challenges to the CAIR, which vacated the CAIR in its entirety. On December 23, 2008, in response to petitions for rehearing filed by a number of parties, the D.C. Court of Appeals remanded the CAIR without vacating the rule for the EPA to conduct further proceedings consistent with the D.C. Court of Appeals' prior opinion. On August 2, 2010, the EPA published the proposed Transport Rule, which is the regulatory program that will replace the CAIR when finalized. The proposed Transport Rule contains new emissions trading programs for nitrogen oxides (NOx) and sulfur dioxide (SO₂) emissions as well as more stringent overall emissions targets. The EPA plans to finalize the Transport Rule in the spring of 2011. Due to significant investments in NOx and SO₂ emissions controls and fleet modernization projects completed or underway, we believe both PEC and PEF are well positioned to comply with the Transport Rule. The outcome of the EPA's rulemaking cannot be predicted. Because the D.C. Court of Appeals' December 23, 2008 decision remanded the CAIR, the current implementation of the CAIR continues to fulfill best available retrofit technology (BART) for NOx and SO₂ for BART-affected units under the CAVR. Should this determination change as the Transport Rule is promulgated, CAVR compliance eventually may require consideration of NOx and SO₂ emissions in addition to particulate matter emissions for BART-eligible units.

On February 8, 2008, the D.C. Court of Appeals vacated the delisting determination and the Clean Air Mercury Rule (CAMR). The U.S. Supreme Court declined to hear an appeal of the D.C. Court of Appeals' decision in January 2009. As a result, the EPA subsequently announced that it will develop a maximum achievable control technology (MACT) standard consistent with the agency's original listing determination. In addition, North Carolina adopted a state specific requirement. The North Carolina mercury rule contains a requirement that all coal-fired units in the state install mercury controls by December 31, 2017, and requires compliance plan applications to be submitted in 2013. We are currently evaluating the impact of these decisions. The outcome of these matters cannot be predicted.

To date, expenditures at PEF for CAIR regulation primarily relate to environmental compliance projects at Crystal River Units No. 4 and No. 5 (CR4 and CR5). The CR4 project was placed in service in May 2010 and the CR5 project was placed in service on December 2, 2009. Under an agreement with the FDEP, PEF will retire Crystal River Units No. 1 and No. 2 (CR1 and CR2) as coal-fired units and operate emission control equipment at CR4 and CR5. CR1 and CR2 will be retired after the second proposed nuclear unit at Levy completes its first fuel cycle, which was originally anticipated to be around 2020. As discussed in Note 3B, PEF identified in its 2010 nuclear cost-recovery filing regulatory and economic conditions causing schedule shifts such that major construction activities are being postponed until after the NRC issues the Levy COL. As required, PEF has advised the FDEP of these developments that will delay the retirement of CR1 and CR2 beyond the originally anticipated completion date of the first fuel cycle for Levy Unit 2. We are currently evaluating the impacts of the Levy schedule on PEF's compliance with environmental regulations. We cannot predict the outcome of this matter.

The EPA is continuing to record allowance allocations under the CAIR NOx trading program, in some cases for years beyond the estimated two-year period for promulgation of a replacement rule. The EPA's continued recording of CAIR NOx allowance allocations does not guarantee that allowances will continue to be usable for compliance after a replacement rule is finalized or that they will continue to have value in the future. SO₂ emission allowances will be utilized to comply with existing Clean Air Act requirements. PEF's CAIR expenses, including NOx allowance inventory expense, are recoverable through the ECRC. Emission allowances are included on the Balance Sheets in inventory and in other assets and deferred debits and have not changed materially from what was reported in the 2009 Form 10-K.

The EPA and a number of states are considering additional regulatory measures that may affect management, treatment, marketing and disposal of coal combustion products, primarily ash, from each of the Utilities' coal-fired plants. Revised or new laws or regulations under consideration may impose changes in solid waste classifications or groundwater protection environmental controls. On June 21, 2010, the EPA proposed two options for new rules to regulate coal combustion products. The first option would create a comprehensive program of federally-enforceable requirements for coal combustion products management and disposal as hazardous waste. The other option would have the EPA set performance standards for coal combustion products management facilities and regulate disposal of coal combustion products as non-hazardous waste. The EPA did not identify a preferred option. Under both options, the EPA may leave in place a regulatory exemption for approved beneficial uses of coal combustion residuals that are recycled. The 90-day public comment period ends on September 20, 2010, and a final rule is expected in 2011. Compliance plans and estimated costs to meet the requirements of new regulations will be determined when any new regulations are finalized. We are also evaluating the effect on groundwater quality from past and current operations, which may result in operational changes and additional measures under existing regulations. These issues are also under evaluation by state agencies. Certain regulated chemicals have been measured in wells near our ash ponds at levels above groundwater quality standards. Additional monitoring and investigation will be conducted. Detailed plans and cost estimates will be determined if these evaluations reveal that corrective actions are necessary. We cannot predict the outcome of this matter.

13. COMMITMENTS AND CONTINGENCIES

Contingencies and significant changes to the commitments discussed in Note 22 in the 2009 Form 10-K are described below.

A. PURCHASE OBLIGATIONS

As part of our ordinary course of business, we and the Utilities enter into various long- and short-term contracts for fuel requirements at our generating plants. Significant changes from the commitment amounts reported in Note 22A in the 2009 Form 10-K can result from new contracts, changes in existing contracts along with the impact of fluctuations in current estimates of future market prices for those contracts that are market price indexed. In most cases, these contracts contain provisions for price adjustments, minimum purchase levels, and other financial commitments. Additional commitments for fuel and related transportation will be required to supply the Utilities' future needs. At June 30, 2010, our and the Utilities' contractual cash obligations and other commercial commitments have not changed materially from what was reported in the 2009 Form 10-K except as follows.

PEC

In April 2010, PEC entered into a conditional agreement for firm pipeline transportation capacity to support PEC's gas supply needs for the approximate period of June 2013 through May 2033. The total cost to PEC associated with this agreement is estimated to be approximately \$477 million. The agreement is subject to several conditions precedent, including various state regulatory approvals, the completion and commencement of operation of necessary related intrastate natural gas pipeline system expansions and other contractual provisions. Due to the conditions of this agreement, the estimated costs are not currently considered a fuel commitment of PEC.

PEF

PEF's construction obligations included in Note 22A to the 2009 Form 10-K, which were primarily comprised of contractual obligations related to the Levy Engineering, Procurement, and Construction (EPC) agreement, totaled \$1.455 billion, \$2.981 billion, \$2.818 billion and \$1.543 billion, respectively, for less than one year, one to three years, three to five years and more than five years from December 31, 2009. We executed an amendment to the EPC agreement in 2010 because of schedule shifts in the Levy project (See Note 3B), and will postpone major construction activities on the project until after the NRC issues the COL, which is expected to be in late 2012 if the licensing schedule remains on track. Therefore, we will defer substantially all expenditures under the EPC agreement until the COL is received. Because we have executed an amendment to the EPC agreement and anticipate negotiating additional amendments upon receipt of the COL, we cannot currently predict the timing of when those

obligations will be satisfied or the magnitude of any change. Additionally, in light of the schedule shifts, PEF may incur fees and charges related to the disposition of outstanding purchase orders on long lead time equipment for the Levy nuclear project, which could be material. In June 2010, PEF completed its long lead time equipment disposition analysis to minimize the impact associated with the schedule shift. As a result of the analysis, PEF will continue with selected components of the long lead time equipment. Work will be suspended on the remaining long lead time equipment items and PEF will be in suspension negotiations with the selected equipment vendors in the coming months. In its April 30, 2010 nuclear cost-recovery filing, PEF included for rate-making purposes a point estimate of potential Levy disposition fees and charges of \$50 million, subject to true-up. However, the amount of disposition fees and charges, if any, cannot be determined until suspension negotiations are completed. We cannot predict the outcome of this matter.

On June 30, 2010, PEF entered into a long-term service agreement for the Hines Energy Complex covering scheduled maintenance events through 2029. The total cost to PEF associated with this agreement is estimated to be approximately \$390 million over the term of the agreement.

B. GUARANTEES

As a part of normal business, we enter into various agreements providing future financial or performance assurances to third parties. Such agreements include guarantees, standby letters of credit and surety bonds. At June 30, 2010, we do not believe conditions are likely for significant performance under these guarantees. To the extent liabilities are incurred as a result of the activities covered by the guarantees, such liabilities are included in the accompanying Balance Sheets.

At June 30, 2010, we have issued guarantees and indemnifications of and for certain asset performance, legal, tax and environmental matters to third parties, including indemnifications made in connection with sales of businesses. At June 30, 2010, our estimated maximum exposure for guarantees and indemnifications for which a maximum exposure is determinable was \$308 million, including \$32 million at PEF. Related to the sales of businesses, the latest specified notice period extends until 2013 for the majority of legal, tax and environmental matters provided for in the indemnification provisions. Indemnifications for the performance of assets extend to 2016. For certain matters for which we receive timely notice, our indemnity obligations may extend beyond the notice period. Certain indemnifications have no limitations as to time or maximum potential future payments. At June 30, 2010 and December 31, 2009, we had recorded liabilities related to guarantees and indemnifications to third parties of approximately \$33 million and \$34 million, respectively. These amounts included \$7 million for PEF at June 30, 2010 and December 31, 2009. During the six months ended June 30, 2010, our and the Utilities' accruals and expenditures related to guarantees and indemnifications were not material. As current estimates change, it is possible that additional losses related to guarantees and indemnifications to third parties, which could be material, may be recorded in the future.

In addition, the Parent has issued \$300 million in guarantees for certain payments of two wholly owned indirect subsidiaries (See Note 14).

C. OTHER COMMITMENTS AND CONTINGENCIES

SPENT NUCLEAR FUEL MATTERS

Pursuant to the Nuclear Waste Policy Act of 1982, the Utilities entered into contracts with the DOE under which the DOE agreed to begin taking spent nuclear fuel by no later than January 31, 1998. All similarly situated utilities were required to sign the same standard contract.

The DOE failed to begin taking spent nuclear fuel by January 31, 1998. In January 2004, the Utilities filed a complaint in the United States Court of Federal Claims against the DOE, claiming that the DOE breached the Standard Contract for Disposal of Spent Nuclear Fuel by failing to accept spent nuclear fuel from our various facilities on or before January 31, 1998. Approximately 60 cases involving the government's actions in connection with spent nuclear fuel are currently pending in the Court of Federal Claims. The Utilities have asserted nearly \$91

million in damages incurred between January 31, 1998, and December 31, 2005, the time period set by the court for damages in this case. The Utilities may file subsequent damage claims as they incur additional costs.

In 2008, the Utilities received a ruling from the United States Court of Federal Claims awarding \$83 million in the claim against the DOE for failure to abide by a contract for federal disposition of spent nuclear fuel. A request for reconsideration filed by the United States Department of Justice resulted in an immaterial reduction of the award. On August 15, 2008, the Department of Justice appealed the United States Court of Federal Claims ruling to the D.C. Court of Appeals. On July 21, 2009, the D.C. Court of Appeals vacated and remanded the calculation of damages back to the Trial Court but affirmed the portion of damages awarded that were directed to overhead costs and other indirect expenses. The Department of Justice requested a rehearing en banc but the D.C. Court of Appeals denied the motion on November 3, 2009. In the event that the Utilities recover damages in this matter, such recovery is not expected to have a material impact on the Utilities' results of operations given the anticipated regulatory and accounting treatment. However, the Utilities cannot predict the outcome of this matter.

SYNTHETIC FUELS MATTERS

On October 21, 2009, a jury delivered a verdict in a lawsuit against Progress Energy and a number of our subsidiaries and affiliates arising out of an Asset Purchase Agreement dated as of October 19, 1999, and amended as of August 23, 2000, (the Asset Purchase Agreement) by and among U.S. Global, LLC (Global); Earthco; certain affiliates of Earthco; EFC Synfuel LLC (which was owned indirectly by Progress Energy, Inc.) and certain of its affiliates, including Solid Energy LLC; Solid Fuel LLC; Ceredo Synfuel LLC; Gulf Coast Synfuel LLC (renamed Sandy River Synfuel LLC) (collectively, the Progress Affiliates), as amended by an amendment to the Asset Purchase Agreement. In a case filed in the Circuit Court for Broward County, Fla., in March 2003 (the Florida Global Case), Global had requested an unspecified amount of compensatory damages, as well as declaratory relief. Global asserted (1) that pursuant to the Asset Purchase Agreement, it was entitled to an interest in two synthetic fuels facilities previously owned by the Progress Affiliates and an option to purchase additional interests in the two synthetic fuels facilities and (2) that it was entitled to damages because the Progress Affiliates prohibited it from procuring purchasers for the synthetic fuels facilities. As a result of the expiration of the Section 29 tax credit program on December 31, 2007, all of our synthetic fuels businesses were abandoned and we reclassified our synthetic fuels businesses as discontinued operations.

The jury awarded Global \$78 million. On October 23, 2009, Global filed a motion to assess prejudgment interest on the award. On November 20, 2009, the court granted the motion and assessed \$55 million in prejudgment interest and entered judgment in favor of Global in a total amount of \$133 million. During the year ended December 31, 2009, we recorded an after-tax charge of \$74 million to discontinued operations. In December 2009, we made a \$154 million payment, which represents payment of the total judgment and a required premium equivalent to two years of interest, to the Broward County Clerk of Court bond account. On December 16, 2009, we filed notice of appeal. We are continuing to pursue the appellate process, but cannot predict the outcome of this matter.

In a second suit filed in the Superior Court for Wake County, N.C., *Progress Synfuel Holdings, Inc. et al. v. U.S. Global, LLC* (the North Carolina Global Case), the Progress Affiliates seek declaratory relief consistent with our interpretation of the Asset Purchase Agreement. Global was served with the North Carolina Global Case on April 17, 2003.

On May 15, 2003, Global moved to dismiss the North Carolina Global Case for lack of personal jurisdiction over Global. In the alternative, Global requested that the court decline to exercise its discretion to hear the Progress Affiliates' declaratory judgment action. On August 7, 2003, the Wake County Superior Court denied Global's motion to dismiss, but stayed the North Carolina Global Case, pending the outcome of the Florida Global Case. The Progress Affiliates appealed the superior court's order staying the case. By order dated September 7, 2004, the North Carolina Court of Appeals dismissed the Progress Affiliates' appeal. Based upon the verdict in the Florida Global Case, we anticipate dismissal of the North Carolina Global Case.

NOTICE OF VIOLATION

On April 29, 2009, the EPA issued a notice of violation and opportunity to show cause with respect to a 16,000-gallon oil spill at one of PEC's substations in 2007. The notice of violation did not include specified sanctions sought. Subsequently, the EPA notified PEC that the agency is seeking monetary sanctions that are *de minimus* to our and PEC's results of operations or financial condition. PEC has entered into consent agreements with the EPA on two of the three issues. Discussions between PEC and the EPA to resolve the remaining issue are ongoing. We cannot predict the outcome of this matter.

FLORIDA NUCLEAR COST RECOVERY

On February 8, 2010, a lawsuit was filed against PEF in state circuit court in Sumter County, Fla., alleging that the Florida nuclear cost-recovery statute (Section 366.93, Florida Statutes) violates the Florida Constitution, and seeking a refund of all monies collected by PEF pursuant to that statute with interest. The complaint also requests that the court grant class action status to the plaintiffs. On April 6, 2010, PEF filed a motion to dismiss the complaint. The trial judge issued an order on May 3, 2010, dismissing the complaint. The plaintiffs filed an amended complaint on June 1, 2010. PEF believes the lawsuit is without merit and filed a motion to dismiss the amended complaint on July 12, 2010. We cannot predict the outcome of this matter.

OTHER LITIGATION MATTERS

We and our subsidiaries are involved in various litigation matters in the ordinary course of business, some of which involve substantial amounts. Where appropriate, we have made accruals and disclosures to provide for such matters. In the opinion of management, the final disposition of pending litigation would not have a material adverse effect on our consolidated results of operations or financial position.

14. CONDENSED CONSOLIDATING STATEMENTS

As discussed in Note 23 in the 2009 Form 10-K, we have guaranteed certain payments of two wholly owned indirect subsidiaries, FPC Capital I (the Trust) and Florida Progress Funding Corporation (Funding Corp.). Our guarantees are joint and several, full and unconditional and are in addition to the joint and several, full and unconditional guarantees issued to the Trust and Funding Corp. by Florida Progress. Our subsidiaries have provisions restricting the payment of dividends to the Parent in certain limited circumstances and as disclosed in Note 11B in the 2009 Form 10-K, there were no restrictions on PEC's or PEF's retained earnings.

The Trust is a VIE of which we are not the primary beneficiary. Separate financial statements and other disclosures concerning the Trust have not been presented because we believe that such information is not material to investors.

Presented below are the condensed consolidating Statements of Income, Balance Sheets and Cash Flows as required by Rule 3-10 of Regulation S-X. In these condensed consolidating statements, the Parent column includes the financial results of the parent holding company only. The Subsidiary Guarantor column includes the consolidated financial results of Florida Progress only, which is primarily comprised of its wholly owned subsidiary PEF. The Non-guarantor Subsidiaries column includes the consolidated financial results of all non-guarantor subsidiaries, which is primarily comprised of our wholly owned subsidiary PEC. The Other column includes elimination entries for all intercompany transactions and other consolidation adjustments. Financial statements for PEC and PEF are separately presented elsewhere in this Form 10-Q. All applicable corporate expenses have been allocated appropriately among the guarantor and non-guarantor subsidiaries. The financial information may not necessarily be indicative of results of operations or financial position had the Subsidiary Guarantor or other non-guarantor subsidiaries operated as independent entities.

Condensed Consolidating Statement of Income
Three months ended June 30, 2010

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
Operating revenues					
Operating revenues	\$ -	\$ 1,255	\$ 1,117	\$ -	\$ 2,372
Affiliate revenues	-	-	52	(52)	-
Total operating revenues	-	1,255	1,169	(52)	2,372
Operating expenses					
Fuel used in electric generation	-	368	375	-	743
Purchased power	-	239	76	-	315
Operation and maintenance	-	208	347	(50)	505
Depreciation, amortization and accretion	-	110	123	-	233
Taxes other than on income	-	83	51	(1)	133
Other	-	3	-	-	3
Total operating expenses	-	1,011	972	(51)	1,932
Operating income (loss)	-	244	197	(1)	440
Other income (expense)					
Interest income	2	-	2	(3)	1
Allowance for equity funds used during construction	-	10	15	-	25
Other, net	-	-	3	2	5
Total other income (expense), net	2	10	20	(1)	31
Interest charges					
Interest charges	72	75	54	(2)	199
Allowance for borrowed funds used during construction	-	(2)	(5)	-	(7)
Total interest charges, net	72	73	49	(2)	192
(Loss) income from continuing operations before income tax and equity in earnings of consolidated subsidiaries	(70)	181	168	-	279
Income tax (benefit) expense	(28)	67	57	2	98
Equity in earnings of consolidated subsidiaries	222	-	-	(222)	-
Income (loss) from continuing operations	180	114	111	(224)	181
Discontinued operations, net of tax	-	-	(1)	-	(1)
Net income (loss)	180	114	110	(224)	180
Net (income) loss attributable to noncontrolling interests, net of tax	-	(1)	1	-	-
Net income (loss) attributable to controlling interests	\$ 180	\$ 113	\$ 111	\$ (224)	\$ 180

Condensed Consolidating Statement of Income
Three months ended June 30, 2009

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
Operating revenues					
Operating revenues	\$ -	\$ 1,236	\$ 1,076	\$ -	\$ 2,312
Affiliate revenues	-	-	54	(54)	-
Total operating revenues	-	1,236	1,130	(54)	2,312
Operating expenses					
Fuel used in electric generation	-	443	383	-	826
Purchased power	-	200	57	-	257
Operation and maintenance	2	204	331	(53)	484
Depreciation, amortization and accretion	-	105	121	-	226
Taxes other than on income	-	80	51	(1)	130
Other	-	8	2	-	10
Total operating expenses	2	1,040	945	(54)	1,933
Operating (loss) income	(2)	196	185	-	379
Other income (expense)					
Interest income	3	1	1	(3)	2
Allowance for equity funds used during construction	-	29	7	-	36
Other, net	1	6	5	1	13
Total other income (expense), net	4	36	13	(2)	51
Interest charges					
Interest charges	58	71	54	(2)	181
Allowance for borrowed funds used during construction	-	(9)	(3)	-	(12)
Total interest charges, net	58	62	51	(2)	169
(Loss) income from continuing operations before income tax and equity in earnings of consolidated subsidiaries	(56)	170	147	-	261
Income tax (benefit) expense	(26)	55	53	4	86
Equity in earnings of consolidated subsidiaries	204	-	-	(204)	-
Income (loss) from continuing operations	174	115	94	(208)	175
Discontinued operations, net of tax	-	-	(1)	-	(1)
Net income (loss)	174	115	93	(208)	174
Net (income) loss attributable to noncontrolling interests, net of tax	-	-	1	(1)	-
Net income (loss) attributable to controlling interests	\$ 174	\$ 115	\$ 94	\$ (209)	\$ 174

Condensed Consolidating Statement of Income
Six months ended June 30, 2010

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
Operating revenues					
Operating revenues	\$ -	\$ 2,527	\$ 2,380	\$ -	\$ 4,907
Affiliate revenues	-	-	113	(113)	-
Total operating revenues	-	2,527	2,493	(113)	4,907
Operating expenses					
Fuel used in electric generation	-	781	858	-	1,639
Purchased power	-	452	126	-	578
Operation and maintenance	3	413	676	(107)	985
Depreciation, amortization and accretion	-	234	245	-	479
Taxes other than on income	-	176	115	(4)	287
Other	-	5	-	-	5
Total operating expenses	3	2,061	2,020	(111)	3,973
Operating (loss) income	(3)	466	473	(2)	934
Other income (expense)					
Interest income	4	-	3	(4)	3
Allowance for equity funds used during construction	-	18	28	-	46
Other, net	(1)	3	(4)	2	-
Total other income (expense), net	3	21	27	(2)	49
Interest charges					
Interest charges	143	145	106	(4)	390
Allowance for borrowed funds used during construction	-	(7)	(9)	-	(16)
Total interest charges, net	143	138	97	(4)	374
(Loss) income from continuing operations before income tax and equity in earnings of consolidated subsidiaries	(143)	349	403	-	609
Income tax (benefit) expense	(58)	136	154	5	237
Equity in earnings of consolidated subsidiaries	455	-	-	(455)	-
Income (loss) from continuing operations before cumulative effect of change in accounting principle	370	213	249	(460)	372
Discontinued operations, net of tax	-	1	(1)	-	-
Cumulative effect of change in accounting principle, net of tax	-	-	(2)	-	(2)
Net income (loss)	370	214	246	(460)	370
Net (income) loss attributable to noncontrolling interests, net of tax	-	(2)	3	(1)	-
Net income (loss) attributable to controlling interests	\$ 370	\$ 212	\$ 249	\$ (461)	\$ 370

Condensed Consolidating Statement of Income
Six months ended June 30, 2009

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
Operating revenues					
Operating revenues	\$ -	\$ 2,500	\$ 2,254	\$ -	\$ 4,754
Affiliate revenues	-	-	119	(119)	-
Total operating revenues	-	2,500	2,373	(119)	4,754
Operating expenses					
Fuel used in electric generation	-	955	825	-	1,780
Purchased power	-	360	114	-	474
Operation and maintenance	3	406	642	(114)	937
Depreciation, amortization and accretion	-	265	241	-	506
Taxes other than on income	-	168	109	(4)	273
Other	-	10	2	-	12
Total operating expenses	3	2,164	1,933	(118)	3,982
Operating (loss) income	(3)	336	440	(1)	772
Other income (expense)					
Interest income	6	2	4	(6)	6
Allowance for equity funds used during construction	-	59	16	-	75
Other, net	8	6	(2)	-	12
Total other income (expense), net	14	67	18	(6)	93
Interest charges					
Interest charges	110	143	113	(6)	360
Allowance for borrowed funds used during construction	-	(18)	(6)	-	(24)
Total interest charges, net	110	125	107	(6)	336
(Loss) income from continuing operations before income tax and equity in earnings of consolidated subsidiaries	(99)	278	351	(1)	529
Income tax (benefit) expense	(39)	76	129	5	171
Equity in earnings of consolidated subsidiaries	415	-	-	(415)	-
Income (loss) from continuing operations	355	202	222	(421)	358
Discontinued operations, net of tax	1	(1)	(1)	-	(1)
Net income (loss)	356	201	221	(421)	357
Net (income) loss attributable to noncontrolling interests, net of tax	-	(1)	1	(1)	(1)
Net income (loss) attributable to controlling interests	\$ 356	\$ 200	\$ 222	\$ (422)	\$ 356

Condensed Consolidating Balance Sheet
June 30, 2010

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
ASSETS					
Utility plant, net	\$ -	\$ 9,977	\$ 10,424	\$ 111	\$ 20,512
Current assets					
Cash and cash equivalents	366	116	208	-	690
Notes receivable from affiliated companies	133	51	9	(193)	-
Regulatory assets	-	223	101	-	324
Derivative collateral posted	-	174	20	-	194
Income taxes receivable	15	6	33	(33)	21
Prepayments and other current assets	19	1,248	1,334	(170)	2,431
Total current assets	533	1,818	1,705	(396)	3,660
Deferred debits and other assets					
Investment in consolidated subsidiaries	13,669	-	-	(13,669)	-
Regulatory assets	-	1,317	894	-	2,211
Goodwill	-	-	-	3,655	3,655
Nuclear decommissioning trust funds	-	482	859	-	1,341
Other assets and deferred debits	165	225	918	(550)	758
Total deferred debits and other assets	13,834	2,024	2,671	(10,564)	7,965
Total assets	\$ 14,367	\$ 13,819	\$ 14,800	\$ (10,849)	\$ 32,137
CAPITALIZATION AND LIABILITIES					
Equity					
Common stock equity	\$ 9,857	\$ 4,727	\$ 5,270	\$ (9,997)	\$ 9,857
Noncontrolling interests	-	2	-	-	2
Total equity	9,857	4,729	5,270	(9,997)	9,859
Preferred stock of subsidiaries	-	34	59	-	93
Long-term debt, affiliate	-	309	115	(152)	272
Long-term debt, net	3,494	4,481	3,688	1	11,664
Total capitalization	13,351	9,553	9,132	(10,148)	21,888
Current liabilities					
Current portion of long-term debt	700	-	6	(1)	705
Notes payable to affiliated companies	-	166	27	(193)	-
Derivative liabilities	23	179	48	-	250
Other current liabilities	259	1,147	943	(201)	2,148
Total current liabilities	982	1,492	1,024	(395)	3,103
Deferred credits and other liabilities					
Noncurrent income tax liabilities	-	371	1,327	(410)	1,288
Regulatory liabilities	-	1,060	1,307	112	2,479
Other liabilities and deferred credits	34	1,343	2,010	(8)	3,379
Total deferred credits and other liabilities	34	2,774	4,644	(306)	7,146
Total capitalization and liabilities	\$ 14,367	\$ 13,819	\$ 14,800	\$ (10,849)	\$ 32,137

Condensed Consolidating Balance Sheet
December 31, 2009

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
ASSETS					
Utility plant, net	\$ -	\$ 9,733	\$ 9,886	\$ 114	\$ 19,733
Current assets					
Cash and cash equivalents	606	72	47	-	725
Notes receivable from affiliated companies	30	46	303	(379)	-
Regulatory assets	-	54	88	-	142
Derivative collateral posted	-	139	7	-	146
Income taxes receivable	5	97	50	(7)	145
Prepayments and other current assets	14	1,158	1,377	(176)	2,373
Total current assets	655	1,566	1,872	(562)	3,531
Deferred debits and other assets					
Investment in consolidated subsidiaries	13,348	-	-	(13,348)	-
Regulatory assets	-	1,307	873	(1)	2,179
Goodwill	-	-	-	3,655	3,655
Nuclear decommissioning trust funds	-	496	871	-	1,367
Other assets and deferred debits	166	202	923	(520)	771
Total deferred debits and other assets	13,514	2,005	2,667	(10,214)	7,972
Total assets	\$ 14,169	\$ 13,304	\$ 14,425	\$ (10,662)	\$ 31,236
CAPITALIZATION AND LIABILITIES					
Equity					
Common stock equity	\$ 9,449	\$ 4,590	\$ 5,085	\$ (9,675)	\$ 9,449
Noncontrolling interests	-	3	3	-	6
Total equity	9,449	4,593	5,088	(9,675)	9,455
Preferred stock of subsidiaries	-	34	59	-	93
Long-term debt, affiliate	-	309	115	(152)	272
Long-term debt, net	4,193	3,883	3,703	-	11,779
Total capitalization	13,642	8,819	8,965	(9,827)	21,599
Current liabilities					
Current portion of long-term debt	100	300	6	-	406
Short-term debt	140	-	-	-	140
Notes payable to affiliated companies	-	376	3	(379)	-
Derivative liabilities	-	161	29	-	190
Other current liabilities	261	941	902	(182)	1,922
Total current liabilities	501	1,778	940	(561)	2,658
Deferred credits and other liabilities					
Noncurrent income tax liabilities	-	320	1,258	(382)	1,196
Regulatory liabilities	-	1,103	1,293	114	2,510
Other liabilities and deferred credits	26	1,284	1,969	(6)	3,273
Total deferred credits and other liabilities	26	2,707	4,520	(274)	6,979
Total capitalization and liabilities	\$ 14,169	\$ 13,304	\$ 14,425	\$ (10,662)	\$ 31,236

Condensed Consolidating Statement of Cash Flows
Six months ended June 30, 2010

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
Net cash provided (used) by operating activities	\$ 54	\$ 582	\$ 694	\$ (171)	\$ 1,159
Investing activities					
Gross property additions	-	(543)	(598)	25	(1,116)
Nuclear fuel additions	-	(13)	(106)	-	(119)
Purchases of available-for-sale securities and other investments	-	(3,507)	(308)	-	(3,815)
Proceeds from available-for-sale securities and other investments	-	3,509	283	-	3,792
Changes in advances to affiliated companies	(103)	(5)	294	(186)	-
Return of investment in consolidated subsidiaries	54	-	-	(54)	-
Contributions to consolidated subsidiaries	(56)	-	-	56	-
Other investing activities	-	14	-	-	14
Net cash used by investing activities	(105)	(545)	(435)	(159)	(1,244)
Financing activities					
Issuance of common stock, net	405	-	-	-	405
Dividends paid on common stock	(354)	-	-	-	(354)
Dividends paid to parent	-	(102)	(50)	152	-
Dividends paid to parent in excess of retained earnings	-	-	(54)	54	-
Net decrease in short-term debt	(140)	-	-	-	(140)
Proceeds from issuance of long-term debt, net	-	591	-	-	591
Retirement of long-term debt	(100)	(300)	-	-	(400)
Changes in advances from affiliated companies	-	(210)	24	186	-
Contributions from parent	-	33	37	(70)	-
Other financing activities	-	(6)	(54)	8	(52)
Net cash (used) provided by financing activities	(189)	6	(97)	330	50
Net (decrease) increase in cash and cash equivalents	(240)	43	162	-	(35)
Cash and cash equivalents at beginning of period	606	72	47	-	725
Cash and cash equivalents at end of period	\$ 366	\$ 115	\$ 209	\$ -	\$ 690

Condensed Consolidating Statement of Cash Flows
Six months ended June 30, 2009

(in millions)	Parent	Subsidiary Guarantor	Non- Guarantor Subsidiaries	Other	Progress Energy, Inc.
Net cash provided (used) by operating activities	\$ 169	\$ 454	\$ 670	\$ (198)	\$ 1,095
Investing activities					
Gross property additions	-	(770)	(411)	9	(1,172)
Nuclear fuel additions	-	(18)	(42)	-	(60)
Proceeds from sales of assets to affiliated companies	-	-	7	(7)	-
Purchases of available-for-sale securities and other investments	-	(420)	(562)	-	(982)
Proceeds from available-for-sale securities and other investments	-	423	537	-	960
Changes in advances to affiliated companies	(329)	(56)	(43)	428	-
Return of investment in consolidated subsidiaries	12	-	-	(12)	-
Contributions to consolidated subsidiaries	(347)	-	-	347	-
Other investing activities	-	(1)	(1)	(1)	(3)
Net cash (used) provided by investing activities	(664)	(842)	(515)	764	(1,257)
Financing activities					
Issuance of common stock, net	545	-	-	-	545
Dividends paid on common stock	(347)	-	-	-	(347)
Dividends paid to parent	-	(1)	(200)	201	-
Dividends paid to parent in excess of retained earnings	-	-	(12)	12	-
Payments of short-term debt with original maturities greater than 90 days	(129)	-	-	-	(129)
Net decrease in short-term debt	(40)	(371)	(110)	-	(521)
Proceeds from issuance of long-term debt, net	742	-	595	-	1,337
Retirement of long-term debt	-	-	(400)	-	(400)
Changes in advances from affiliated companies	-	417	11	(428)	-
Contributions from parent	-	343	17	(360)	-
Other financing activities	1	(5)	(56)	9	(51)
Net cash provided (used) by financing activities	772	383	(155)	(566)	434
Net increase (decrease) in cash and cash equivalents	277	(5)	-	-	272
Cash and cash equivalents at beginning of period	88	73	19	-	180
Cash and cash equivalents at end of period	\$ 365	\$ 68	\$ 19	\$ -	\$ 452